Work4Me Accounting Simulations

3rd Web-Based Edition

Demonstration Problem

Abbey Bookkeeping Services, Incorporated

Problem 1
Demonstration Problem

The Work4Me problems begin with a hands-on, demonstration exercise. Working through this first problem will help you quickly polish your skill in using the computer system to complete your work. **IT IS EXTREMELY IMPORTANT, BEFORE YOU BEGIN EACH PROBLEM, THAT YOU FAMILIARIZE YOURSELF WITH THE TYPE OF BUSINESS AND THE CHART OF ACCOUNTS USED BY THAT BUSINESS TO RECORD THE FINANCIAL DATA.**

Below, and on the following page, you will find the Chart of Accounts for Abbey Bookkeeping Service, Inc., an explanation for some of the accounts used by the business, and step-by-step instructions on how to quickly and efficiently use the **"WORK4ME"** system to complete your accounting work. Work this **Demonstration Problem** carefully and familiarize yourself with the system that will be used throughout this course. **Several accounts which require special attention are listed below:**

105 **Accounts Receivable** maintains a record of the total amount owed to the business by clients.

121 **Prepaid Rent** is debited for rent payments made for more than one month in advance. Rent paid for a single month would be debited to the Rent Expense account.

122 **Prepaid Insurance** is debited for the purchase of all insurance policies that provide coverage for more than one accounting period. A payment for only a single period would be debited to the Insurance Expense account.

127 **Office Supplies** is debited for each purchase of materials used to run the office.

201 **Accounts Payable** is a liability account that keeps a record of the total amount owed to suppliers, vendors, and creditors by Abbey Bookkeeping Service, Incorporated.

401 **Bookkeeping Fees Earned** is the revenue account of the business. It keeps a record of the total amount of fees that have been earned during the period.

606 **Delivery Expense** is debited for the freight charges incurred to use a private courier or the postal service to deliver completed accounting work.

621 **Rent Expense** is debited when rent is paid on a monthly basis. Rental fees paid in advance (for several accounting periods) are debited to the Prepaid Rent account.

622 **Insurance Expense** is used to account for the insurance premiums of a single period. Long-term insurance payments are debited to the Prepaid Insurance account.

CHART OF ACCOUNTS
ABBEY BOOKKEEPING SERVICES, INCORPORATED

ASSETS

101	**Cash**
105	**Accounts Receivable**
121	**Prepaid Rent**
122	**Prepaid Insurance**
127	**Office Supplies**
131	**Office Equipment**
139	**Automobiles**

LIABILITIES

201	**Accounts Payable**

STOCKHOLDERS' EQUITY

301	**Common Stock**
305	**Retained Earnings**

REVENUE

401	**Bookkeeping Fees Earned**

OPERATING EXPENSES

602	**Office Supplies Expense**
604	**Vehicle Operating Expense**
605	**Advertising Expense**
606	**Delivery Expense**
621	**Rent Expense**
622	**Insurance Expense**
625	**Electric and Gas Expense**
626	**Telephone Expense**
628	**License Expense**
635	**Miscellaneous Expense**

START THE PROGRAM!

This demonstration exercise will guide you through the journalizing and posting process of nine sample entries. In addition, you will also be introduced to the error correction procedure used for this system. After you have completed recording the business transactions, you may quickly print a general journal, trial balance, and selected general ledger cards for review and analysis. You will immediately become aware that the computer has been used as a tool to complete the time consuming clerical functions of the accounting process. Your task now is to use the documents to answer the ten analysis questions.

You are encouraged to prepare your account entry information before sitting down at the computer. This procedure will speed up your data entry time. An example of a written analysis before the data entry is shown with the beginning April 1 transaction. You will be able to access the chart of accounts during the data entry process.

1. To access the Work4Me program, click on the **Work4Me** log in button on the home page.

2. At the log in page, enter your **User ID/Name** and **Password**. Then click on Log In.

3. From the Menu Bar of the Data Entry page, move the pointer to **Problems**, then down to **Problem 1, Demonstration**, and click.

4. Click on **OK** at the message directing you to click on **Daily JE (Daily Journal Entries)**.

5. Click **OK** again if there are no current journal entries.

The Clear Screen button: When accessing the Data Entry Page, if there are journal entries already recorded in an earlier session, the last entry recorded will appear in the data entry form. Click on the Clear Screen button to erase this entry from the screen. This feature allows you to view the last entry you made prior to logging off the program or moving from other selection options on the Data Entry page.

NOTE: Remember to disable any Pop-up Blocker installed on your computer. Disabling Pop-up Blockers allows you to print documents in any PKL Software program without complications caused by the Pop-up Blockers. To disable Internet Explorer's Pop-up Blocker, perform the following directions:

1. Launch Internet Explorer.

2. In the **Tools** drop down menu, click on **Internet Option**.

3. Click the **Privacy** tab and click on the **Settings** button under the Pop-up Blocker section at the bottom of the window.

4. Enter **http://www.pklsoftware.com** in the space below **Address of Web site to allow** and then click the **Add** button.

5. Click on the **Close** button to close the **Pop-up Blocker Settings** window and Click on the **OK** button to close the **Internet Options** window.

TRANSACTIONS FOR APRIL 1-8

April 1

Began Abbey Bookkeeping Service, Incorporated, by selling 6,000 shares of Common Stock to stockholders at a price of $5.00 per share. **Journalize this transaction.**

101	Cash		$30,000	
301		Common Stock		$30,000

1. At the date prompt, for April 1, enter 01 for the day. When entering any part of the transaction, you may back up and reenter the information by using the Backspace key. If you have already pressed the Tab key after entering the date and wish to change it, click in the date prompt and backspace or delete the incorrect date and enter the correct date.

2. To debit cash, at the account prompt enter 101 (the Cash account number) and press the Tab key. Type 30,000 (without the $ sign) and press the Tab key.

3. At the account prompt enter 301 (the Common Stock account number) and press the Tab key twice. In the credit amount column, enter 30,000 (without the $ sign) and press the Tab key.

4. If you enter the wrong account, click on the account entry line and a dropdown menu of the Chart of Accounts will appear.

5. When you have completed your entry, click on the Verify Journal button. A message box will appear informing you if the journal entry is in balance (total debit amount equals the total credit amount) and all of the account numbers are from the Abbey Chart of Accounts. If the date, entry, or account numbers are not properly entered, you will be given an error message with the appropriate error details. When all of the error items have been corrected, the Post button will be actividated.

6. Post the journal entry to the General Ledger.

If after verifying the entry, you realize that an account number or entry amount is not correct, click on Clear Screen from the Menu Bar and reenter, verify, and then post the corrected entry.

If you discover that a transaction entered and posted into the system is incorrect, two entries are required. Reverse or back out the original error transaction and then enter the transaction correctly. A complete summary of the Error Correction Procedures is presented at the end of this problem.

7. Continue recording and posting the transactions that follow

TRANSACTIONS FOR APRIL 1-8

April 1

Issued a check for **$900.00** to Ingerson Properties as payment for
the April rent of the business office.

1. **Enter 01 for the date. Since this is the same date as the previous entry you can also enter the date by entering D for date. When the complete entry is verified, the date will be displayed.**

2. **Enter 621 for Rent Expense. While working on the journal entries, the full Chart of Accounts is available by clicking on the account entry line. You may also enter the debit to Rent Expense by clicking on account 621 from this pull-down chart.**

3. **Enter the $900 amount of the rent payment (no $ or commas required).**

4. **Enter 101 for Cash. Tab to the credit column and enter 900.**

5. **Press the Verify Journal button to verify the transaction. The date and all of the entry accounts and amounts will now be shown for your approval. When everything is correct, click on the Post button to complete the recording and posting process.**

Remember, if the date, entry, or account numbers are not properly entered, you will see an error message with the appropriate error details. When the error item/s has been corrected, the Post button will be activated.

If after verifying an entry, <u>and before posting</u>, you realize that an account number or entry amount is not correct, click on the Clear All button from the Menu Bar and reenter, verify, and then post the corrected entry.

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How To View Your Work

Move the pointer to Journal/Ledgers/Statements on the Menu Bar, move the pointer to General Journal and click. You may view the General Journal and the entries you have recorded or print the General Journal at any time. To return to recording transactions, move the pointer back to Data Entry and click.

TRANSACTIONS FOR APRIL 1-8

April 3

Issued **$60.00** check as payment in full of a Miscellaneous Expense.

1. **Enter 03 for the date.**

2. **Enter the correct debit account and the amount.**

3. **Enter the correct credit account and amount.**

4. **Post the transaction.**

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April 3

Discovered that the previous entry that had been journalized and posted to the Miscellaneous Expense account was a charge for a newspaper ad and should have been debited to the Advertising Expense account.

The entry correction procedure for the Abbey Bookkeeping Service accounting system requires that <u>the error entry be reversed and then reentered correctly</u>.

1. **Enter the same date of the original error transaction (Enter D for Date).**

2. **Debit Cash and credit Miscellaneous Expense for $60.**

3. **Since the error entry date was 03, enter the same date for the correction entry.**

4. **Enter the journal entry correctly. Verify the entry and then Post to the General Ledger.**

This error correction procedure must be used for all corrections in this computerized accounting system. <u>This leaves a clear and complete audit trail for all corrections.</u> More detailed error correction instructions are found in Error Correction Procedures on Page 12 of this Module.

TRANSACTIONS FOR APRIL 1-8

April 5
Purchased on account (on credit) from Boomer Office Supply, office equipment costing **$610.10** and office supplies listed at **$80.00.**

This is a compound entry with two debits and a single credit.

1. **At the date prompt, enter 05 for the date.**

2. **Enter the two debit accounts and amounts.**

3. **Enter the credit account, tab to the credit amount column and enter the amount.**

4. **Verify the entry and then Post to the General Ledger.**

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Using the procedures introduced in the previous journal entries, properly record, verify, and post the remaining transactions.

April 7
Received a check for $**2,400.00** for bookkeeping services completed for a client.

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April 7
Purchased on account (on credit), from Ross Business Equipment Company, a new computer and printer for the office. The invoice for this purchase totaled **$1,770.00.**

TRANSACTIONS FOR APRIL 1-8

April 8
Performed additional bookkeeping services and billed the client for
$775.00 The client is extended 30-day credit terms.

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Now that you have completed entering the transactions for the eight days of the **Demonstration Problem**, it is time to check the accuracy of your work.

1) Move the pointer to **Check Figures** and click.
2) Move the pointer down to **Problem Check Figures** and click.

The check figures text will show the balances of all General Ledger Accounts in two columns: **Correct Balances** and **Your Balances**. **Print** the Check Figures.

Should you have any Incorrect Balances, follow the instructions in the **Error Correction Procedures** on Page 12 of this module.

If all of your balances are correct, continue with Instructions 1 to 10.

1. Move the pointer to **Journal/Ledgers/Statements** in the **Menu Bar**, move down to the **General Journal** and click. The completed General Journal will appear on the screen. **Print** the General Journal.

2. Move the pointer to **Journal/Ledgers/Statements** in the **Menu Bar**, then down to **General Ledger** and click. The Abbey Bookkeeping Service, Incorporated, Trial Balance will appear on the screen. **Print** the trial balance.

3. Click on the **Ledger Card** button. The Cash ledger card will appear on the screen. **Print** the Cash ledger card.

4. Click the **Ledger Card** button and using the pull down screen, select account **105** (Accounts Receivable). Click on the **Show Ledger Card**, then click the Print button and **Print** the Accounts Receivable ledger card.

5. Using the same selection and print routine, **Print** the ledger cards for **201**, Accounts Payable and **401**, Bookkeeping Fees Earned.

6. When all of the required documents have been printed, you have completed your computer work for the Demonstration Problem. **Exit the Program**

7. Using the required documents, **complete the Work4Me Demonstration Evaluation** on **Page 13** of this Module.

8. Log On to your program and move the pointer to **Evaluations**, select **Exam1: Demonstration Problem** and click.

9. <u>Complete the Evaluation,</u> using your completed Evaluation as a guide.

10. Follow the instructions at the top of the text box to **Save**, **Score**, and **Print** the Evaluation.

    Check with your instructor for any instructions about emailing the complete evaluation.

ERROR CORRECTION PROCEDURES
For the WORK4ME Accounting System

JOURNAL ENTRY CORRECTION

Move the pointer to the Journal/Ledgers/Statements in the Menu Bar, then to General Journal and click. Print a copy of the General Journal.

Carefully examine all entries recorded for each period and when an error is found **use the following correction procedure:**

1. **Reverse the incorrect entry using the date used in the error entry.**

2. **Enter the transaction correctly using the correct date of the original entry.**

If, for example, **you find that a bookkeeping fees transaction for cash** on April 8 was entered as a **debit to Accounts Receivable** and a credit to Bookkeeping Fees Earned, simply **reverse** the error as follows:

April 8   **Bookkeeping Fees Earned**   2,400
                         Accounts Receivable   2,400

When the entry has been verified, the accounts will now show the original balances in place before the error entry. Using the same April 8 date, record the entry correctly.

April 8   **Cash**   2,400
                         Bookkeeping Fees Earned   2,400

The error entry, the reversal entry, and the correction entry will appear in the accounting records leaving a clear, easy-to-follow audit trail.

After correcting your entries, return to the instructions following the last transaction described in this Module.

WORK4ME   NAME_____
DEMONSTRATION PROBLEM   CLASS DAY AND TIME_____DATE_____

Use the required printed documents from the Demonstration Problem and answer the following questions:

1. Do the totals on your printed Trial Balance match the figures shown in your Check Figures printout?
    Answer only Y for Yes or N for No.

    _____

2. What was the correct balance of the Cash account at the close of business on April 3?

    $_____

3. What was the balance of cash after the first check was written on April 1?

    $_____

4. What is the current balance of the Cash account?

    $_____

5. How much is owed by Abbey Bookkeeping Services, Inc., on April 8?

    $_____

6. What was the correct total amount of revenues earned at the close of business, April 7?

    $_____

7. What is the total of the operating expenses to date?

    $_____

8. What is the total net income for the eight days of operations?

    $_____

9. What is the total amount owed to Abbey Bookkeeping Services by clients?

    $_____

10. What is the total value of the business assets reported on the Abbey Bookkeeping Services, Trial Balance?

    $_____