

Work4Me Accounting Simulations

3rd Web-Based Edition

Problem Three

Adjusting Entries

for

Classic Accounting Services, Incorporated

Problem Three

Classic Accounting Services, Inc.
 Trial Balance
 For The Quarter Ended, June 30

	Debit	Credit
Cash	10,550.00	
Accounts Receivable	12,145.00	
Prepaid Rent	9,000.00	
Prepaid Insurance	3,450.00	
Office Supplies	724.00	
Office Equipment	12,460.00	
Accumulated Deprec. - Office Equip. Automobile	15,500.00	2,450.00
Accumulated Deprec. - Automobile Building	124,000.00	2,000.00
Accumulated Deprec. - Building Land	100,000.00	36,000.00
Accounts Payable		9,245.00
Short-term Notes Payable		5,000.00
Unearned Consulting Fees		4,800.00
Long-term Notes Payable		16,000.00
Mortgage Payable		60,000.00
Common Stock		100,000.00
Retained Earnings		28,664.00
Cash Dividends	1,000.00	
Accounting Fees Earned		25,370.00
Consulting Fees Earned		13,435.00
Salaries and Wages Expense	8,560.00	
Vehicle Operating Expense	750.00	
Advertising Expense	1,250.00	
Delivery Expense	388.00	
Electric and Gas Expense	890.00	
Telephone Expense	577.00	
License Expense	125.00	
Miscellaneous Expense	45.00	
Interest Expense	1,550.00	
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Total	302,964.00	302,964.00
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CHART OF ACCOUNTS
Classic Accounting Services, Incorporated
Problem Three

ASSETS	REVENUE
101 Cash	401 Accounting Fees Earned
105 Accounts Receivable	405 Consulting Fees Earned
109 Notes Receivable	
121 Prepaid Rent	
122 Prepaid Insurance	EXPENSES
125 Prepaid Advertising	
127 Office Supplies	601 Salaries and Wages Expense
131 Office Equipment	602 Office Supplies Expense
132 Accum. Depreciation, Office Equip.	604 Vehicle Operating Expense
139 Automobiles	605 Advertising Expense
140 Accum. Depreciation, Automobiles	606 Delivery Expense
150 Building	610 Depreciation Exp., Office Equip.
151 Accum. Depreciation, Building	612 Depreciation Exp., Automobiles
160 Land	615 Depreciation Exp., Building
	621 Rent Expense
LIABILITIES	622 Insurance Expense
	624 Property Tax Expense
201 Accounts Payable	625 Electric and Gas Expense
203 Short-Term Notes Payable	626 Telephone Expense
209 Salaries & Wages Payable	628 License Expense
211 Property Taxes Payable	635 Miscellaneous Expense
213 Dividends Payable	651 Interest Expense
215 Interest Payable	
220 Unearned Consulting Fees	
231 Long-Term Notes Payable	
241 Mortgage Payable	
STOCKHOLDERS' EQUITY	
301 Common Stock	
305 Retained Earnings	
310 Cash Dividends Declared	

Problem 3

Adjusting Entries

Classic Accounting Services, Incorporated Adjusting Entries for the Quarter

1. Go to www.pklsoftware.com.
2. To access the **Work4Me program**, click on the **Work4Me** log in on the home page.
3. At the log in page, enter your **User ID/Name and Password**. Then click on **Log In**.
4. From the Menu Bar of the Data Entry page, move the pointer to **Problems**, then down to **Problem 3, Adjusting Entries**, and click.
5. Click on **OK**, at the message directing you to select adjusting entries.
6. Move the pointer to **Adjusting JE** and click. No daily entries will be recorded in this problem. Corrections to adjusting entries must also be entered using the Adjusting JE data entry format.

Using the copy of the June 30 unadjusted trial balance for Classic Accounting Services, Incorporated (**Page 2**) and the Chart of Accounts for Classic Accounting Services, Incorporated, (**Page 3**), record the appropriate adjusting entries for the quarter ended June 30. Remember that all adjustments are being made for June 30, the end of the second quarter of the year.

Hint: Move the Pointer to Help on the Menu Bar and Print the topics: “**Adjusting Prepaid Assets Recorded as Prepaid Assets or as Expenses**,” and “**Unearned Revenue, End-of-Period Adjusting Entries**.” You will find them helpful.

- A. The June 30, an inventory of office supplies disclosed that a total **\$260** of supplies were on hand.
- B. The expired insurance for the quarter totals **\$440** for policy one, **\$625** for policy two, and **\$400** for policy three.

Note: Use the ‘D’ key to repeat a date...very convenient for adjusting entries.

- C. A total of **\$1,250** was paid for advertising copy was and correctly charged to the Advertising Expense account during the current quarter. However, **\$400** of the radio ads for the business will be aired during the first week of July.

- D. Accrued property taxes for the quarter total **\$275**.
- E. Wages were accrued for 15 hours worked at a rate of **\$11.50** per hour.
- F. Depreciation of Office Equipment **for the quarter** totals **\$475**.
- G. Depreciation of the automobile has been calculated to be **\$1,800 per year** on a straight-line basis.
- H. The building owned by the company was purchased at an historical cost of \$124,000 and is being depreciated at a rate of **\$600 per month**.
- I. Rent on the other property used by the business was prepaid for six months in advance. On April 1, the full **\$9,000 payment was charged to the Prepaid Rent account**.
- J. It is determined that an additional **\$250** worth of accounting services have been completed for a client but have not yet been billed. All “consulting” services for clients have been billed for the quarter.
- K. Total accrued interest on the short-term note payable, the long-term note payable, and the mortgage payable is **\$445.70**.
- L. An examination of the Unearned Consulting Fees account determines that **\$1,470** of this account balance **has been earned** as of June 30.

Now that you have completed entering the adjusting entries for Classic Accounting Services, Incorporated, 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.
- 3) **Print** the Check Figures for Problem 3 – Adjusting Entries.

Should you have any Incorrect Balances, follow the instructions in the **Error Correction Procedures** from Module 1 – Demonstration Problem.

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

1. **Print** the **Adjusted Trial Balance** for Classic Accounting Service, Incorporated.
2. Click on the **Ledger Card** button. The Cash ledger card will appear on the screen. Scroll down to account number **150**, Building and click. Click on the **Show Ledger Card** button. **Print** the Building ledger card.
3. Using the pull-down screen, select, and print each of the following additional ledger cards:

Account number: **151** Accumulated Depreciation, Building
Account number: **615** Depreciation Expense, Building
4. Move the pointer to **Journal/Ledgers/Statements** in the Menu Bar, then down to **General Journal** and click. The General Journal will appear on the screen. **Print** the journal.
5. Move the pointer to **Journal/Ledgers/Statements** in the Menu Bar, then down to **Financial Statements** and select **Income Statement**. **Print** the document.
Note: For this problem, Interest Expense is considered an operating expense.
6. When all of the required documents have been printed, you have completed your computer work for the Adjusting Entries Problem. **Exit the Program**
7. Using the required documents, **complete the Work4Me Adjusting Entries Evaluation** at the end of this Module.
8. Log On to your program and move the pointer to **Evaluations**, select **Exam3: Adjusting Entries** and click.
9. Complete the Evaluation, 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.

WORK4ME - PROBLEM THREE NAME _____
ADJUSTING ENTRIES CLASS DAY AND TIME _____ DATE _____

1. Do the totals on your printed Adjusted Trial Balance match the figures shown in the “**Check It Out**” box? _____
Answer only Y for Yes or N for No.

2. What is the current asset value for Prepaid Rent? \$ _____

3. What is the current book value of Office Equipment? \$ _____

4. As of June 30, what has been the total depreciation on the Building? \$ _____

5. What was the historical cost of the Automobile? \$ _____

6. If in error, the adjusting entry for the property taxes had not been recorded, would the net income for the business have been? _____
A. overstated
B. understated
C. unchanged

7. If in error, the adjusting entry for the consulting fees had not been recorded, would the net income for the business have been? _____
A. overstated
B. understated
C. unchanged

8. What is the Income from Operations for this period? \$ _____
(Note: For this question, Interest Expense is considered an Operating Expense.)

9. If a Retained Earnings Statement is prepared at the end of June what will be the new balance of this account? \$ _____

10. If only **\$126** of office supplies had been used during the period, what would have been the ending balance of the Office Supplies account? \$ _____