# The Accounting Cycle Completed

## THE BIG PICTURE

A ccountants have come a long way from the old stereotype of "bean counter"—a pale figure with a green eyeshade who tends cloth-bound ledgers and journals in a back room. In fact, today's accountants are more likely to be working from home, perhaps overlooking the Pacific Ocean while they serve clients in other provinces via the Internet. At least that's what life is like for Lance and Deanna Gildea, founders of TAD, an online (or "virtual") accounting service.

TAD accomplishes the entire accounting cycle using the accounting software of the client's choice. For the first step of the accounting cycle, which you learned in Chapter 3, TAD gets clients to scan their invoices, bank statements, and other source documents into their computer. TAD even provides the scanner free of charge to high-end clients. Scanned documents are then transmitted to TAD, and within minutes TAD updates the client's accounts. One of the big benefits of using TAD is that clients get real-time, 24hour access to their accounting data. They simply use a Web browser to sign in to their home page (prepared by TAD), where they can view, print, and download reports, cheques, and other information.

In addition to forming full-service outsourcing operations like TAD, accountants are morphing into accounting software consultants. Harried entrepreneurs or CEOs of small to mid-size companies often don't know how to do more than boot up their Simply or Peachtree accounting software. They don't have time to learn how to use it, much less use it correctly. Many also can't afford to pay a full-time accountant to do their books. Enter the new accounting software consultant. These accountants are forming different kinds of relationships with clients, even to the extent of teaching them what has historically been the job of the accountant. For instance, Brian Price of Price and Associates has built a \$600,000 business by consulting on low-end or small-business accounting software. The typical client for a business like Price's could be anyone from the mom-andpop business bringing in \$100,000–200,000 a year to a \$2-million services firm.

Whether you end up being an online accountant or an accounting software consultant, you still need a thorough grounding in accounting basics. After all, in order to teach your clients how to do their books, as Brian Price does, you must be knowledgeable enough to explain each process clearly. In this chapter, as you learn how to complete the accounting cycle and close the books, think how you would explain the process to a client. How will you explain the process of posting **adjusting** and **closing entries** and preparing a **post-closing trial balance**?

Adjusting, Closing, and Post-Closing Trial Balance

*Sources:* Based on Antoinette Alexander, "Pioneers on the virtual frontier," *Accounting Technology*, Jan/Feb 2000, pp. 18–24; Jeff Stimpson, "The new consultant," *The Practical Accountant*, September 1999, pp. 325–42; Antoinette Alexander, "The Web: Giving life to a new generation," *Accounting Technology*, March 2000, pp. 26–34.

#### ◆ Journalizing and posting adjusting entries (p. 170) Chapter Journalizing and posting closing entries (p. 174) **Objectives** Preparing a post-closing trial balance (p. 184) n Chapters 3 and 4 we completed these steps of the manual accounting cycle for Clark's Desktop Publishing Services: **Step 1:** Business transactions occurred and generated source documents. Remember, for ease of Step 2: Business transactions were analyzed and recorded in a journal. presentation we are using a month as the accounting cycle Step 3: Information was posted or transferred from journal to ledger. for Clark's. In the business world, **Step 4:** A trial balance was prepared. the cycle can be any time period, Step 5: A worksheet was completed. but is usually one year. **Step 6:** Financial statements were prepared. This chapter covers the following steps, which will complete Clark's accounting cycle for the month of May: Step 7: Journalizing and posting adjusting entries Step 8: Journalizing and posting closing entries Step 9: Preparing a post-closing trial balance

## **LEARNING UNIT 5-1**

## Journalizing and Posting Adjusting Entries: Step 7 of the Accounting Cycle

## **R**ECORDING JOURNAL ENTRIES FROM THE WORKSHEET

The information in the worksheet is up to date. The financial reports prepared from that information can give the business's management and other interested parties a good idea of where the business stands as of a particular date. The problem is that the worksheet is an informal report. The information concerning the adjustments has not been placed in the journal, or posted to the ledger accounts. This means that the books are not up to date and ready for the next accounting cycle to begin. For example, the ledger shows \$1,200 of prepaid rent (page 94), but the balance sheet we prepared in Chapter 4 shows an \$800 balance. Essentially, the worksheet is a tool for preparing financial reports. Now we must use the adjustment columns of the worksheet as a basis for bringing the ledger up to date. We do this by **adjusting journal entries** (see Figure 5-1). Again, the updating must be done before the next accounting period starts. For Clark's Desktop Publishing Services, the next period begins on June 1.

Figure 5-1 shows the adjusting journal entries for Clark's taken from the adjustments section of the worksheet (see Figure 5-2). Once the adjusting journal entries are posted to the ledger, the accounts making up the financial statements that were prepared from the worksheet will correspond with the updated ledger. (Keep in mind that this is the same journal we have been using.) Let's look at some simplified T accounts to show how Clark's ledger looked before and after the adjustments were posted (see adjustments A to D on page 172).

At this point, many ledger

accounts are not up to date.

Purpose of adjusting entries.

|     | CLARK'S DESKTOP PUBLISHING SE<br>GENERAL JOURNAL | RVICES  |   |  |
|-----|--|---|---|--|
|     |  |   |   | Page   |
| ite | Account Titles and Description                   | PR  | Dr.   | Cr.  |
|     | Adjusting Entring                                |   |   |  |
| 31  |  | 514   | 50000   |  |
|     |  |   | 30000   | 50000  |
|     | Office Supplies used up                          | 114   |   |  |
| 31  | Rent Expense                                     | 515   | 40000   |  |
|     |  |   |   | 40000  |
|     | Rent expired                                     | 115   |   |  |
| 31  | Amortization Expense, DTP Equipment              | 516   | 8000  |  |
|     |  |   |   | 8000   |
|     | Estimated amortization of asset                  |   |   |  |
| 31  | Office Salaries Expense                          | 511   | 35000   |  |
|     |  |   | 3 9 0 00  | 35000  |
|     |  | 2.2   |   |  |
|     | 31<br>31<br>31<br>31                             | GENERAL JOURNAL         atte       Account Titles and Description         Adjusting Entries       Adjusting Entries         31       Office Supplies Expense         Office Supplies used up       Office Supplies used up         31       Rent Expense         Prepaid Rent       Rent expired         31       Amortization Expense, DTP Equipment         Accumulated Amortization, DTP Equipment | Account Titles and Description       PR         Adjusting Entries | GENERAL JOURNAL         ate       Account Titles and Description       PR       Dr.         Adjusting Entries       Dr.       Dr.         31       Office Supplies Expense       514       500000         Office Supplies used up       Dr.       Dr.         Adjusting Entries       Dr.       Dr.         J       Office Supplies Expense       514       500000         Office Supplies used up       Dr.       Dr.       Dr.         J       Prepaid Rent       115       Dr.         J       Rent Expense       515       40000         Prepaid Rent       115       Dr.         J       Accumulated Amortization, DTP Equipment       122       Dr.         J       Accumulated Amortization of asset       Dr.       Dr.         J       Diffice Salaries Expense       511       350000         J       Salaries Payable       212       Dr. |

### FIGURE 5-

Adjusting Journal Entries

|  |    |     |     | Tr | ial E | Balar | nce      | е |   |     | Adjustments |   |   |   |    |    |     |            |            |    |   |
|--|----|-----|-----|----|-------|-------|----------|---|---|-----|-------------|---|---|---|----|----|-----|------------|------------|----|---|
| Account Titles                             |    | Ľ   | Dr. |    |       | Cr.   |          |   |   | Dr. |             |   |   |   |    |    | Cr  | r.         |            |    |   |
| Cash                                       | 6  | 1   | 5   | 5  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
| Accounts Receivable                        | 5  | 0   | 0   | 0  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
| Office Supplies                            |    | 6   | 0   | 0  | 00    |       |          |   |   |     |             |   |   |   |    | (A | ) ' | 50         | ) (        | 00 |   |
| Prepaid Rent                               | 1  | 2   | 0   | 0  | 00    |       |          |   |   |     |             |   |   |   |    | (B | ) 4 | <b>4</b> 0 | ) (        | 00 |   |
| Desktop Publishing Equipment               | 6  | 0   | 0   | 0  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
| Accounts Payable                           |    |     |     |    |       | 3     | 3        | 5 | 0 | 00  |             |   |   |   |    |    |     |            |            |    |   |
| Brenda Clark, Capital                      |    |     |     |    |       | 10    | 0        | 0 | 0 | 00  |             |   |   |   |    |    |     |            |            |    |   |
| Brenda Clark, Withdrawals                  |    | 6   | 2   | 5  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
| Desktop Publishing Fees                    |    |     |     |    |       | 8     | 0        | 0 | 0 | 00  |             |   |   |   |    |    |     |            |            |    |   |
| Office Salaries Expense                    | 1  | . 3 | 0   | 0  | 00    |       |          |   |   |     | (D)         | 3 | 5 | 0 | 00 |    |     |            |            |    |   |
| Advertising Expense                        |    | 2   | 5   | 0  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
| Telephone Expense                          |    | 2   | 2   | 0  | 00    |       |          |   |   |     |             |   |   |   |    |    |     |            |            |    |   |
|  | 21 | 3   | 5   | 0  | 00    | 21    | 3        | 5 | 0 | 00  |             |   |   |   |    |    |     |            |            |    |   |
| Office Supplies Expense                    |    |     |     |    |       |       |          |   |   |     |             | _ | 0 | 0 | 00 |    | +   | +          | +          |    | _ |
| Rent Expense                               |    | ⊢   | -   | -  |       |       | $\vdash$ |   | - |     |             | - | - | - | 00 |    | ╞   | +          | +          | -  | _ |
| Amortization Expense,                      |    | -   | -   | _  |       |       | -        |   | _ |     | (D)         | - | - | - | 00 |    | +   | +          | +          | _  | _ |
| DTP Equipment                              |    |     |     |    |       |       |          |   |   |     |             | 1 | 0 | U | 00 |    |     |            |            |    |   |
| Accumulated Amortization,<br>DTP Equipment |    |     |     |    |       |       |          |   |   |     |             |   |   |   |    | (C | )   | 8          | 3 0        | 00 |   |
| Salaries Payable                           |    |     |     |    |       |       |          |   |   |     |             |   |   |   |    | (D | ) 3 | 35         | <b>5</b> 0 | 00 |   |
|  |    |     |     |    |       |       |          |   |   |     | 1           | 3 | 3 | 0 | 00 | 1  | 13  | 3 3        | 5 0        | 00 | - |

#### FIGURE 5-2

Journalizing and Posting Adjustments from the Adjustments Section of the Worksheet Adjustments A to D in the adjustments section of the worksheet must be recorded in the journal and posted to the ledger.

### **Adjustment A**

| Before posting:                        | Office Supplies 114<br>600     | Office Supplies Expense 514     |
|--|--------------------------------|---------------------------------|
| After posting:                         | Office Supplies 114<br>600 500 | Office Supplies Expense 514 500 |
| Adjustment B                           |                                |                                 |
| Before posting:                        | Prepaid Rent 115<br>1,200      | Rent Expense 515                |
| After posting:                         | Prepaid Rent 115<br>1,200 400  | Rent Expense 515                |
| Adjustment C                           |                                |                                 |
| Before posting:                        | Amortiza                       | tion Accumulated                |
| Desktop Publis<br>Equipment 1<br>6,000 | hing Expense,                  | DTP Amortization,               |
| After posting:                         |                                |                                 |
| Desktop Publis<br>Equipment 1<br>6,000 |                                | DTP Amortization,               |

This last adjustment shows the same balances for Amortization Expense and Accumulated Amortization. However, in subsequent adjustments the Accumulated Amortization balance will keep getting larger, but the debit to Amortization Expense and the credit to Accumulated Amortization will be the same. We will see why in a moment.

### **Adjustment D**

| Before posting: | Office Salaries<br>Expense 511<br>650<br>650 | Salaries<br>Payable 212 |
|-----------------|--|-------------------------|
| After posting:  | Office Salaries<br>Expense 511               | Salaries<br>Payable 212 |
|                 | 650  | 350                     |
|                 | 650  |                         |
|                 | 350  |                         |
|                 |  |                         |

## LEARNING UNIT 5-1 REVIEW

#### AT THIS POINT you should be able to:

- Define and state the purpose of adjusting entries. (p. 170)
- Journalize adjusting entries from the worksheet. (p. 171)
- Post journalized adjusting entries to the ledger. (p. 172)
- Compare specific ledger accounts before and after posting of the journalized adjusting entries. (p. 172)

## $\checkmark$

## **SELF-REVIEW QUIZ 5-1**

(The blank forms you need are on pages 5-1 and 5-2 of the *Study Guide with Working Papers.*)

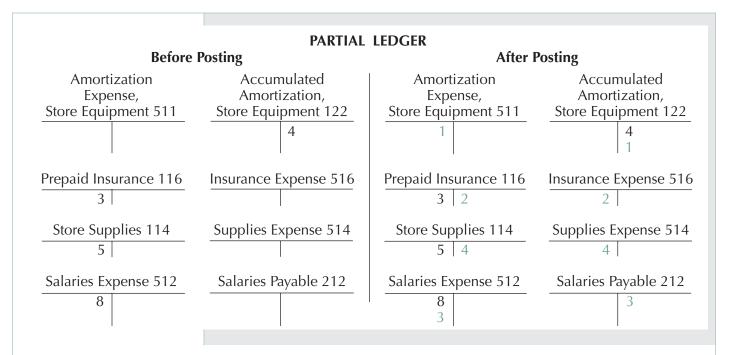
Turn to the worksheet of P. Logan Company (p. 140) and (1) journalize and post the adjusting entries and (2) compare the adjusted ledger accounts before and after the adjustments are posted. T accounts with beginning balances are provided in your *Study Guide*.

### Solution to Self-Review Quiz 5-1

Page 2 Account Titles and Description PR Date Dr. Cr. Adjusting Entries Dec. 31 Amortization Expense, Store Equipment 1 00 511 Accumulated Amortization, Store Equipment 122 1 00 Estimated amortization of equipment 31 Insurance Expense 516 2 00 Prepaid Insurance 2 00 116 Insurance expired 31 Supplies Expense 4 00 514 4 00 Store Supplies 114 Store Supplies used 31 Salaries Expense 3 00 512 Salaries Payable 3 00 212 Accrued salaries payable

Quiz Tip

These journal entries come from the adjustments column of the worksheet.



## **LEARNING UNIT 5-2**

## Journalizing and Posting Closing Entries: Step 8 of the Accounting Cycle

To make recording of the next fiscal year's transactions easier, a mechanical step, called **closing**, is taken by the accountant at Clark's. Closing is used to end—or close off—the revenue, expense, and withdrawal accounts at the end of the fiscal year. The information needed to complete closing entries will be found in the income statement and balance sheet sections of the worksheet.

To make it easier to understand this process, we will first look at the difference between temporary (nominal) accounts and permanent (real) accounts.

Here is the expanded accounting equation we used in an earlier chapter:

#### Assets = Liabilities + Capital - Withdrawals + Revenues - Expenses

Three of the items in that equation—assets, liabilities, and capital—are known as **real** or **permanent accounts**, because their balances are carried over from one fiscal year to another. The other three items—withdrawals, revenue, and expenses are called **nominal** or **temporary accounts**, because their balances are not carried over from one fiscal year to another. Instead, their balances are set at zero at the beginning of each fiscal year. This allows us to accumulate new data about revenue, expenses, and withdrawals in the new fiscal year. The process of closing summarizes the effects of the temporary accounts on capital for that period by using **closing journal entries** and by posting them to the ledger. When the closing process is complete, the accounting equation will be reduced to:

#### Assets = Liabilities + Ending Capital

If you look back at page 142 in Chapter 4, you will see that we have calculated the new capital on the balance sheet for Clark's Desktop Publishing Services to be \$14,275. But before the mechanical closing procedures are journalized and posted, the capital account of Brenda Clark in the ledger is only \$10,000 (Chapter 3, page 94). Let's look now at how to journalize and post closing entries.

Permanent accounts are found on the balance sheet.

After all closing entries are journalized and posted to the ledger, all temporary accounts have a zero balance in the ledger. Closing is a step-by-step process. An Income Summary is a temporary account located in the chart of accounts under Owner's Equity. It does not have a normal balance of a debit or a credit.

Sometimes, closing the accounts is referred to as "clearing the accounts."

#### Don't forget two goals of closing:

- 1. Clear all temporary accounts in the ledger.
- 2. Update Capital to a new balance that reflects a summary of all the temporary accounts.

All numbers used in the closing process can be found on the worksheet in Figure 5-4 (page 176). Note that the *account* Income Summary is *not* on the worksheet.



### How to journalize closing entries

There are four steps to be performed in journalizing closing entries:

**Step 1:** Clear the revenue balances and transfer them to Income Summary. **Income Summary** is a temporary account in the ledger needed for closing. At the end of the closing process there will be no balance in Income Summary.

#### Revenue → Income Summary

Step 2: Clear the individual expense balances and transfer them to Income Summary.

Expenses → Income Summary

**Step 3:** Clear the balance in Income Summary and transfer it to Capital.

Income Summary  $\rightarrow$  Capital

Step 4: Clear the balance in Withdrawals and transfer it to Capital.

Withdrawals  $\rightarrow$  Capital

Figure 5-3 is a visual representation of these four steps. Keep in mind that this information must first be journalized and then posted to the appropriate ledger accounts. The worksheet presented in Figure 5-4 contains all the figures we will need for the closing process.

## Step 1: Clear Revenue Balances and Transfer to Income Summary

Here is what is in the ledger before closing entries are journalized and posted:

Desktop Publishing Fees 411Income Summary 3138,0001

The income statement section on the worksheet on page 176 shows that the Desktop Publishing Fees have a credit balance of \$8,000. To close or clear this to zero in the ledger, a debit of \$8,000 is needed. But if we add an amount to the debit side, we must also add a credit—so we add \$8,000 on the credit side of the Income Summary account.

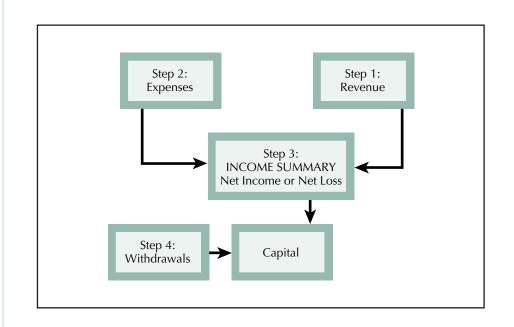


FIGURE 5-3 Four Steps in Journalizing Closing Entries

## FIGURE 5-4

Closing Figures on the Worksheet

|   |                               |     | ′ |    | Ir   | nc         | ome S | tat | en | ne | nt |     |    |    | E | Ba | lanc | e Sł | ne | et |    |   |
|---|-------------------------------|-----|---|----|------|------------|-------|-----|----|----|----|-----|----|----|---|----|------|------|----|----|----|---|
|   | Account Titles                |     |   |    | D    | ٩r.        |       |     | (  | Cr |    |     |    |    | D | r. |      |      |    | С  | •  |   |
|   | Cash                          |     |   |    |      | Τ          |       |     |    |    |    |     | 6  | 1  | 5 | 5  | 00   |      |    |    |    |   |
|   | Accounts Receivable           |     |   |    |      |            |       |     |    |    |    |     | 5  | 0  | 0 | 0  | 00   |      |    |    |    |   |
|   | Office Supplies               |     |   |    |      | Τ          |       |     |    |    |    |     |    | 1  | 0 | 0  | 00   |      |    |    |    |   |
|   | Prepaid Rent                  | )   |   |    |      |            |       |     |    |    |    |     |    | 8  | 0 | 0  | 00   |      |    |    |    |   |
|   | Desktop Publishing Equipme    | nt  |   |    |      |            |       |     |    |    |    |     | 6  | 0  | 0 | 0  | 00   |      |    |    |    |   |
|   | Accounts Payable              |     |   |    |      |            |       |     |    |    |    |     |    |    |   |    |      | 3    | 3  | 5  | 00 | 0 |
|   | Brenda Clark, Capital         |     |   |    |      |            |       | F   | or | St | te | р 1 |    |    |   |    |      | 10   | 0  | 0  | 00 | 0 |
|   | Brenda Clark, Withdrawals     |     |   | Fo | or S | Ste        | ep 2  |     |    |    |    |     |    | 6  | 2 | 5  | 00   |      |    |    |    |   |
|   | Desktop Publishing Fees       |     |   |    |      | ļ          |       | 8   | 0  | 0  | 0  | 00  |    |    | 1 |    |      |      |    |    |    |   |
| 1 | Office Salaries Expense /     | ' / |   | 1  | 6    | 5 0        | 00    |     |    |    |    |     | F  | or | S | te | р4   |      |    |    |    |   |
| 1 | Advertising Expense           |     |   |    | 25   | 5 0        | 00    |     |    |    |    |     |    |    |   |    | -    |      |    |    |    |   |
| Ť | Telephone Expense             |     |   |    | 2    | 2 0        | 00    |     | F  |    |    |     |    |    |   |    |      |      | F  |    |    |   |
| 1 |                               | 1   |   |    |      | 1          |       |     |    |    |    |     |    |    |   |    |      |      |    |    |    |   |
| T |                               |     |   |    |      | 1          |       |     | F  |    |    |     |    |    |   |    |      |      | F  |    |    |   |
| T | Office Supplies Expense       | 1   |   |    | 5 (  | 0 0        | 00    |     | F  |    |    |     |    |    |   |    |      |      | F  |    |    |   |
| Ť | Rent Expense                  |     |   |    | 4 (  | 0 0        | 00    |     | F  |    |    |     |    |    |   |    |      |      | F  |    |    |   |
| 1 | Amortization Exp., DTP Equip. |     |   |    | 1    | <b>3</b> 0 | 00    |     | F  |    |    |     |    |    |   |    |      |      | F  |    |    |   |
|   | Accum. Amort., DTP Equip.     |     |   |    |      | 1          |       | F   | or | St | te | р З |    |    |   |    |      |      | F  | 8  | 00 | 0 |
|   | Salaries Payable              |     |   |    |      | 1          |       |     |    |    |    |     |    |    |   |    |      |      | 3  | 5  | 00 | 0 |
| Ť |                               | 7   |   | 3  | 1 (  | 0          | 00    | 8   | 0  | 0  | 0  | 00  | 18 | 6  | 8 | 0  | 00   | 13   | 7  | 8  | 00 | 0 |
| Ť | Net Income                    | 1   |   | 4  | 9 (  | 0          | 00    |     | F  |    |    |     |    |    |   |    |      | 4    | 9  | 0  | 00 | 0 |
| 1 |                               |     |   | 8  | 0 (  | 0          | 00    | 8   | 0  | 0  | 0  | 00  | 18 | 6  | 8 | 0  | 00   | 18   | 6  | 8  | 00 | 0 |
| T |                               | Ì   |   |    |      |            |       |     | F  |    |    |     | -  | F  |   |    |      |      | F  |    |    |   |

The following is the journalized closing entry for step 1:

|  | May | 31 | Desktop Publishing Fees | 411 | 8 | 0 | 0 | 0 | 00 |   |   |   |   |    |  |
|--|-----|----|-------------------------|-----|---|---|---|---|----|---|---|---|---|----|--|
|  |     |    | Income Summary          | 313 |   |   |   |   |    | 8 | 0 | 0 | 0 | 00 |  |
|  |     |    | To close income account |     |   |   |   |   |    |   |   |   |   |    |  |
|  |     |    |                         |     |   |   |   |   |    |   |   |   |   |    |  |

This is what Desktop Publishing Fees and Income Summary should look like in the ledger after step 1 closing entries are journalized and posted:

| Desktop Pub | lishing Fees 411 | Income Su | mmary 313 |
|-------------|------------------|-----------|-----------|
| 8,000       | 8,000            |           | 8,000     |
| Closing     | Revenue          |           | Revenue   |

Note that the revenue balance is cleared to zero and transferred to Income Summary, a temporary account also located in the ledger.

## **Step 2: Clear Individual Expense Balances and Transfer the Total** to Income Summary

Here is what is in the ledger for each expense before step 2 closing entries are journalized and posted. Each expense is listed on the worksheet in the debit column of the income statement section as above.

| Office Salaries | Expense 511 | Advertising E | xpense 512 |
|-----------------|-------------|---------------|------------|
| 650             |             | 250           |            |
| 650             |             |               |            |
| 350             |             |               |            |

|  | Telephone Expense 513 Of  | fice Supplies Expense 514  |
|--|---|--|
|  | 220   | 500  |
|  | An Rent Expense 515   | mortization Expense, DTP<br>Equipment 516<br>80                  |
|  |   |  |
|  | The income statement section of the works<br>we want to reduce each expense to zero, each<br>The following is the journalized closing en      | one must be credited.  |
| The \$3,100 is the total of the  | 31 Income Summary   | 313 <b>3 1 0 0 00</b>  |
| expenses on the worksheet.   | Office Salaries Expense Advertising Expense   | 511     165000       512     25000                               |
|  | Telephone Expense   | 512         25000           513         22000                    |
|  | Office Supplies Expense   | 514 50000  |
|  | Rent Expense  | 515 40000  |
|  | Amortization Expense, DTP Equipme   | ent 516 8000   |
|  | To close expense accounts   |  |
|  | 650 Closing 1,650<br>650<br>350<br>Telephone Expense 513 O<br>220 Closing 220   | 250 Closing 250<br>ffice Supplies Expense 514<br>500 Closing 500 |
|  | Rent Expense 515  | mortization Expanse 516  |
|  | · · · · · · · · · · · · · · · · · · ·   | Amortization Expense 516   |
|  | <b>400</b> Closing 400  | 80 Closing 80  |
| Remember, the worksheet is a<br>tool. The accountant realizes that<br>the information about the total<br>of the expenses will be<br>transferred to Income Summary. | Income Summa<br>Expenses Rev<br>Step 2 3,100 8,0  | /enue  |
|  | Step 3: Clear Balance in Income Summa<br>Transfer It to Capital   | ry (Net Income) and  |
|  | This is how the Income Summary and Brenda step 3:   | Clark, Capital, accounts look befor                              |
|  | Income Summary 313         Bren           3,100         8,000           4,900   | da Clark, Capital 311<br>10,000                                  |
|  | Note that the balance of Income Summary (Re<br>\$3,100) is \$4,900. That is the amount we mu<br>account and transfer to the Brenda Clark, Cap | st clear from the Income Summar                                  |

The opposite would take place if the business had a net loss.

At the end of these three steps, Income Summary has a zero balance. If we had a net loss the end result would be to decrease capital. The entry would be to debit Capital and credit Income Summary for the loss.

Today's accounting software handles the closing process easily. However, accountants usually have to do step 4 separately.

Note that the \$10,000 is a beginning balance since no additional investments were made during the period.

In order to transfer the balance of \$4,900 from Income Summary (check the bottom of the debit column of the income statement section on the worksheet; see Figure 5-4) to Capital, it will be necessary to debit Income Summary for \$4,900 (the difference between the revenue and expenses) and credit or increase Capital of Brenda Clark with \$4,900.

This is the journalized closing entry for step 3:

|  | 31 | Income Summary                              | 313 | 4 | 9 | 0 | 000 |   |   |   |    |  |
|--|----|---|-----|---|---|---|-----|---|---|---|----|--|
|  |    | Brenda Clark, Capital                       | 311 |   |   |   |     | 4 | 9 | 0 | 00 |  |
|  |    | Transfer profit for period to Capital acct. |     |   |   |   |     |   |   |   |    |  |
|  |    |   |     |   |   |   |     |   |   |   |    |  |

This is what the Income Summary and Brenda Clark, Capital, accounts will look like in the ledger after step 3 closing entries are journalized and posted:

| Total of               | Income Su | mmary 313   |                 | Brenda Clark | k, Capital 3 | 311        |
|------------------------|-----------|-------------|-----------------|--------------|--------------|------------|
| expenses               | → 3,100   | 8,000 <     | - Revenue       |              | 10,000       |            |
| Debit to close account | → 4,900   | 4,900 \prec | Net<br>— income |              | 4,900        | Net income |

## Step 4: Clear the Withdrawals Balance and Transfer It to Capital

Next, we must close the Withdrawals account. The Brenda Clark, Withdrawals, and Brenda Clark, Capital, accounts now look like this:

| Brenda Clark, V | Vithdrawals 312 | Brenda Clark, Cap | oital 311 |
|-----------------|-----------------|-------------------|-----------|
| 625             |                 | 10,0              | 000       |
|                 |                 | 4,9               | 900       |

To bring the Withdrawals account to a zero balance, and summarize its effect on Capital, we must credit Withdrawals and debit Capital.

Remember, withdrawals are a non-business expense and thus not transferred to Income Summary. The closing entry is journalized as follows:

|  |    |   |     |   | 1 |   |    | 1 |     |     |  |
|--|----|---|-----|---|---|---|----|---|-----|-----|--|
|  | 31 | Brenda Clark, Capital                   | 311 | 6 | 2 | 5 | 00 |   |     |     |  |
|  |    | Brenda Clark, Withdrawals               | 312 |   |   |   |    | 6 | 2 5 | 500 |  |
|  |    | Transfer withdrawals to Capital account |     |   |   |   |    |   |     |     |  |
|  |    |   |     |   |   |   |    |   |     |     |  |

At this point the Brenda Clark, Withdrawals, and Brenda Clark, Capital, accounts would look like this in the ledger:

Brenda Clark, Withdrawals 312

Brenda Clark, Capital 311

**625** 

Withdrawals

| 625 | Closing | 625 |
|-----|---------|-----|
|     |         |     |
|     |         |     |

10,000 Beginning balance 4,900 Net income

| Date<br>2004 | Account Title and Description       | Post.<br>Ref. |   | Ľ  | Dr. |    |   | (   | Cr. |                  |
|--------------|-------------------------------------|---------------|---|----|-----|----|---|-----|-----|------------------|
| May 31       | Desktop Publishing Fees             | 411           | 0 | 00 |     | 00 |   | Т   | Т   |                  |
| Twiay 51     | Income Summary                      | 313           | 0 |    |     | 00 | 0 | ~   |     | 00               |
|              | 1                                   | 515           |   | +  | +   |    | 0 |     |     |                  |
|              | To close income account             |               |   | +  | +   |    |   | +   | +   | -                |
| 31           | Income Summary                      | 313           | 3 | 10 | 0   | 00 |   |     |     |                  |
|              | Office Salaries Expense             | 511           |   |    |     |    | 1 | 6   | 50  | 00               |
|              | Advertising Expense                 | 512           |   |    |     |    |   | 2   | 50  | 00               |
|              | Telephone Expense                   | 513           |   |    | Τ   |    |   | 2   | 20  | 00               |
|              | Office Supplies Expense             | 514           |   |    |     |    |   | 5 ( | )0  | 00               |
|              | Rent Expense                        | 515           |   |    |     |    |   |     |     | 00               |
|              | Amortization Expense, DTP Equipment | 516           |   |    |     |    |   |     |     | 00               |
|              | To close expense accounts           |               |   |    |     |    |   |     |     |                  |
| 31           | Income Summary                      | 313           | 4 | 90 | 0   | 00 |   | +   |     | $\left  \right $ |
|              | Brenda Clark, Capital               | 311           |   |    | T   |    | 4 | 90  | 0   | 00               |
|              | Transfer profit to capital          |               |   |    |     |    |   |     |     |                  |
| 31           | Brenda Clark, Capital               | 311           |   | 62 | 25  | 00 |   | -   |     |                  |
|              | Brenda Clark, Withdrawals           | 312           |   |    | Í   |    |   | 6   | 2 5 | 00               |

Now let's look at a summary of the closing entries. The complete ledger for Clark's Desktop Publishing Services is shown in Figure 5-5 beginning on this page. Note that the word "adjusting" or "closing" is written in the explanation column of individual ledgers, as for example in the one for Office Supplies. If the goals of closing have been achieved, only permanent accounts will have balances carried to the next fiscal year. All temporary accounts should have zero balances.

|            |    | CLARK'S     | DESKTOP P<br>GENERA |    |     |     | ERV | ICE | S   |    |                |      |     |     |     |
|------------|----|-------------|---------------------|----|-----|-----|-----|-----|-----|----|----------------|------|-----|-----|-----|
| Cash       |    |             |                     |    |     |     |     |     |     |    | Acc            | ount | N   | о.  | 111 |
| Dat<br>200 |    | Explanation | Post.<br>Ref.       |    | Del | bit |     | Cr  | ed  | it | DR<br>or<br>CR | В    | ala | ano | ce  |
| May        | 1  | · ·         | GJ1                 | 10 | 00  | 000 |     |     |     |    | DR             | 10   | 0   | 0 ( | 000 |
|            | 1  |             | GJ1                 |    |     |     | 1   | 0   | 0 0 | 00 | DR             | 9    | 0   | 0 ( | 000 |
|            | 1  |             | GJ1                 |    |     |     | 1   | 2   | 0 0 | 00 | DR             | 7    | 8   | 0 ( | 000 |
|            | 7  |             | GJ1                 | 3  | 00  | 000 |     |     |     |    | DR             | 10   | 8   | 0 ( | 000 |
|            | 11 |             | GJ1                 |    |     |     |     | 6   | 50  | 00 | DR             | 10   | 1   | 5 ( | 000 |
|            | 20 |             | GJ1                 |    |     |     |     | 6   | 25  | 00 | DR             | 9    | 5   | 2   | 500 |
|            | 25 |             | GJ2                 |    |     |     |     | 6   | 50  | 00 | DR             | 8    | 8   | 75  | 500 |
|            | 28 |             | GJ2                 |    |     |     | 2   | 5   | 0 0 | 00 | DR             | 6    | 3   | 75  | 500 |
|            | 29 |             | GJ2                 |    |     |     |     | 2   | 20  | 00 | DR             | 6    | 1   | 5 5 | 500 |
|            |    |             |                     |    |     |     |     |     |     |    |                |      | Ē   |     |     |

#### FIGURE 5-5 Complete Ledger

#### (FIGURE 5-5 cont.)

|                  | unts I   | ₹ece | ivable                 |                                      |   |                      |            |             |            |  |              |                |           |                      | Acc        | t. No          | <b>b.</b> 11 | 12                   |                            |                             |                             |
|------------------|--|------|------------------------|--------------------------------------|---|----------------------|------------|-------------|------------|--|--------------|----------------|-----------|----------------------|------------|----------------|--------------|----------------------|----------------------------|-----------------------------|-----------------------------|
| Da<br>200<br>May | )4   | Ex   | planat                 | tion                                 |   | Post.<br>Ref.<br>GJ1 |            | Deb         | it<br>0 00 |  | Crea         | lit            |           | DR<br>or<br>CR<br>DR |            | Balar<br>5 0 0 |              | )                    | -                          |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
| С                | office   | Supr | olies                  |                                      |   |                      |            |             |            |  |              |                |           |                      |            | Acct           | . No         | ). 11                | 4                          |                             |                             |
|                  | Date   |      |                        |                                      |   | P                    | ost.       |             |            |  |              |                |           | 1                    | DR         |                |              |                      |                            |                             |                             |
|                  |  |      | Expla                  | anati                                | on  | F                    | Ref.       | _           | Debit      | -  | (            | Crec           | lit       |                      | or<br>CR   |                | alan         | _                    |                            |                             |                             |
|                  |  |      | Adjusti                | ng                                   |   |                      | GJ1<br>GJ2 |             | 600        | 00   | 4            | 50(            | 00        |                      | OR<br>OR   |                |              | 0 00<br>0 00         |                            |                             |                             |
|                  |  |      |                        | 0                                    |   |                      | 202        |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
| -F               |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
| 1                | 104     E       22     22       23     23       Date     2004       May     3       31     3       2004     31       May     3       2004     31       31     31       2004     31       31     31       31     31       31     31       31     31       31     31       31     31       31     31       31     31       32     31       33     31       34     31       35     31       36     31       37     31       38     31       39     31       30     31       30     31       31     31       31     31       32     31       33     31       33     31       34     32       35     31       36     31       37     32       38     33       39     31       31     32       31     33       32     33 <t< td=""><td></td><td>Rent</td><td></td><td></td><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Г</td><td>/<br/>DR</td><td>Acct</td><td>. No</td><td><b>b.</b> 11.</td><td>5</td><td></td></t<> |      | Rent                   |                                      |   |                      | -          |             |            |  |              |                |           |                      | Г          | /<br>DR        | Acct         | . No                 | <b>b.</b> 11.              | 5                           |                             |
|                  |  |      | E                      | Expla                                | nation  |                      | Pc<br>Re   | ost.<br>ef. | E          | Debit  |              | (              | Crea      | dit                  |            | or<br>CR       | Ba           | alan                 | ce                         |                             |                             |
|                  |  |      | 1                      |                                      |   |                      |            | J1          | 12         | 200  | 00           |                |           |                      |            | DR             | 1            | 20                   | 00                         |                             |                             |
|                  |  | 3    | 1 Adj                  | ustin                                | g   |                      | G          | J2          |            |  |              | 4              | <b>£0</b> | 00 0                 | L          | DR             |              | 80                   | 0 00                       |                             |                             |
|                  |  |      |                        |                                      |   |                      | _          |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  | Des  | sktop I                | Publi                                | shing Equi  | pmen                 | t          |             |            |  |              |                |           |                      |            |                | /            | Acct                 | . No                       | . 121                       |                             |
|                  |  |      | Date                   |                                      |   |                      |            | Po          | ost.       |  |              |                |           |                      |            |                | R<br>or      |                      |                            |                             |                             |
|                  |  |      | 004<br>v 1             | E:                                   | xplanation  |                      |            |             | ef.<br>J1  |  | ebit<br>00   |                |           | Crec                 | it         | 0<br>D         | R            |                      | alano<br>0 0 0             |                             | _                           |
|                  |  | 7710 | <u>y 1</u>             |                                      |   |                      |            |             | J) I       | 00   |              | 00             |           |                      |            |                |              | U                    |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             |                             |
|                  |  |      |                        |                                      |   |                      |            |             |            |  |              |                |           |                      |            |                |              |                      |                            |                             | 100                         |
|                  |  |      |                        |                                      | - 1   A   |                      | . D.       | - 1.4       | D          |  |              | E.             |           |                      |            |                |              |                      | A 1                        |                             | 122                         |
|                  |  |      |                        |                                      | ated Amort  | izatio               | n, De      | eskto       | ·          |  | hing         | ; Equ          | uipr      | nent                 |            |                |              | DR                   | Acct                       | . No.                       |                             |
|                  |  |      | Accu<br>Da<br>200      | te<br>04                             | Explana   |                      | n, De      | eskto       | Po         | ublis<br>ost.<br>ef.   |              | ; Equ<br>Debit | · ·       |                      | Crea       | lit            |              | DR                   |                            | . No.<br>alance             | e l                         |
|                  |  |      | Da                     | te<br>04                             |   |                      | n, De      | eskto       | Po<br>R    | ost.   |              | •              | · ·       |                      | Crea       | lit<br>00      | (            |                      |                            |                             |                             |
|                  |  |      | Da <sup>-</sup><br>200 | te<br>04                             | Explana   |                      | n, De      | eskto       | Po<br>R    | ost.<br>ef.  |              | •              | · ·       |                      | Crea       | _              | (            | DR<br>or<br>CR       |                            | alance                      |                             |
|                  |  |      | Da <sup>-</sup><br>200 | te<br>04                             | Explana   |                      | n, De      | eskto       | Po<br>R    | ost.<br>ef.  |              | •              | · ·       |                      | Crea       | _              | (            | DR<br>or<br>CR       |                            | alance                      |                             |
|                  |  |      | Da <sup>-</sup><br>200 | te<br>04                             | Explana   |                      | n, De      | eskto       | Po<br>R    | ost.<br>ef.  |              | •              | · ·       |                      | Crea       | _              | (            | DR<br>or<br>CR       |                            | alance                      |                             |
|                  |  |      | Da<br>200<br>May       | te<br>04<br>31                       | Explana   | ition                | n, De      | eskto       | Po<br>R    | ost.<br>ef.  |              | •              | · ·       |                      | Crea       | _              | (            | DR<br>or<br>CR       | Ba                         | alance<br>80                |                             |
|                  |  |      | Da<br>200<br>May       | te<br>04<br>31<br>Acco               | Explana<br>Adjusting<br>unts Payab<br>te                | ole                  |            | eskto       | Po<br>R    | ost.<br>ef.<br>GJ2   | Dist.        |                |           |                      | Crec<br>80 |                |              | DR<br>or<br>CR<br>CR | DR                         | alance<br>80<br>Acct.       | 00<br>No. 2                 |
|                  |  |      | Da<br>200<br>May       | te<br>04<br>31<br>Acco<br>Dat<br>200 | Explana<br>Adjusting<br>unts Payab<br>te<br>D4 Exp      | ition                |            |             | Po<br>R    | ost.<br>ef.<br>JJ2<br>Po<br>R  | Dost.        |                | · ·       |                      | Crec<br>80 | Crec           | dit          | DR<br>Dr<br>CR<br>CR | Ba<br>DR<br>or<br>CR       | alance<br>80<br>Acct.<br>Ba | No. 2                       |
|                  |  |      | Da<br>200<br>May       | te<br>04<br>31<br>Acco               | Explana<br>Adjusting<br>unts Payab<br>te<br>)4 Exp<br>1 | ole                  |            | eskto       | Po<br>R    | pst.<br>ef.<br>GJ2<br>Pa<br>R<br>C   | Dost.<br>ef. |                |           |                      | Crece      | Crec<br>0 0 0  |              | DR<br>or<br>CR<br>CR | Ba<br>DR<br>or<br>CR<br>CR | Acct.<br>Ba                 | 00<br>No. 2<br>lance<br>000 |
|                  |  |      | Da<br>200<br>May       | te<br>04<br>31<br>Acco<br>Dat<br>200 | Explana<br>Adjusting<br>unts Payab<br>te<br>D4 Exp      | ole                  |            | eskto       | Po<br>R    | Performance Perfor | Dost.        |                |           |                      | Crec<br>80 | Crec           | dit<br>000   |                      | Ba<br>DR<br>or<br>CR       | Acct.<br>Ba<br>5 0          | No. 2                       |

|   | laries<br>Date<br>2004 |          | Expl       | anati         | ion          |                    |          | ost.<br>ef. | De         | ebit      | :    |      | Cre          | dit        |      | DR<br>or<br>CR |        | Acct<br>B   |        | nce            |                        |                |                      |
|---|------------------------|----------|------------|---------------|--------------|--------------------|----------|-------------|------------|-----------|------|------|--------------|------------|------|----------------|--------|-------------|--------|----------------|------------------------|----------------|----------------------|
| M | ay 31                  |          | djusti     | ng            |              |                    | G        | J2          |            |           |      |      | 35           | 0 0        | 0    | CR             |        |             | 35     | 00             | 0                      | -              |                      |
|   |                        |          |            |               |              |                    |          |             |            |           |      |      |              |            |      |                |        |             |        |                |                        |                |                      |
|   | Bren<br>Da             |          | Clark,     |               |              |                    |          | Pos         | st.        |           |      |      |              |            |      |                | D      | R           | Acc.   | t. N           | o. 31                  | 1              | Note tha<br>the same |
|   | 20<br>May              | 04       |            | xpla          | natio        | n                  |          | Re<br>GJ    |            | D         | ebit |      |              | Cre<br>0 0 |      | 0              | C<br>C | R           |        | alar<br>00     | nce<br>000             | )              | balance<br>page 142  |
|   |                        | 31<br>31 |            |               |              | Incom<br>ndrawa    |          | GJ<br>GJ    |            | 6         | 25   | 00   | 4            | 90         | 00   | 0              | C<br>C |             |        |                | 0 00                   |                | $\checkmark$         |
| ٩ |                        | Bren     | da C       | lark.         | With         | drawa              | ls       |             |            |           |      |      |              |            |      |                |        |             |        | Acc            | t. No                  | 0. 31          | 2                    |
|   |                        | Da<br>20 | ite        |               |              | ation              |          |             | Pos<br>Ref |           | D    | ebit | +            |            | Cre  | dit            |        | D<br>o<br>C | R<br>r |                | alan                   |                |                      |
|   |                        | May      | 20         |               |              |                    |          |             | GJ1        | 1         |      | 25   |              |            |      |                | 0      | D           |        |                | 62                     | 5 00           |                      |
|   |                        |          | 31         | Clos          | sing         |                    |          |             | GJ2        | 2         |      |      |              |            | 62   | 50             | 0      |             |        |                | -0-                    | -              |                      |
|   |                        |          |            |               |              |                    |          |             |            |           |      |      |              |            |      |                |        |             |        |                |                        |                |                      |
|   | - 4                    | I        | ncon       | ne Su         | umma         | ary                |          |             |            |           |      |      |              |            |      |                |        |             |        |                | Acct                   | . No           | . 313                |
|   |                        |          | Dat<br>200 | 4             |              | planati            |          |             |            | Po:<br>Re | f.   | D    | Debi         | t          |      | Cre            | 1 1    |             | (      | DR<br>or<br>CR |                        | alan           |                      |
|   |                        | N        |            |               |              | ng (Rev<br>ng (Exp |          |             |            | GJ<br>GJ  |      | 31   | 00           | 00         | 8    | 00             | 0      | 00          |        | CR<br>CR       |                        | 000<br>900     |                      |
|   |                        |          |            | 31 (          | Closi        | ng (Ne             | t Incor  | ne)         |            | GJ        | 2    | 49   | 00           | 00         |      | $\square$      |        |             |        |                | _                      | 0 –            |                      |
|   |                        | - 6      |            |               |              |                    |          |             |            |           |      |      |              |            |      |                |        |             |        |                |                        |                |                      |
|   |                        | 7        |            | Deskt<br>Date | -            | ublishi            | ng Fee   | S           |            |           | Pc   | ost. |              |            |      |                |        |             |        |                | DR                     | Acct           | . No. 411            |
|   |                        |          | N          | 200<br>⁄lay   | 4 7          | Expl               | anatio   | n           |            |           | Re   | ef.  | ]            | Deb        | it   |                |        | Cred<br>0 0 |        |                | or<br>CR<br>C <b>R</b> |                | alance 0 0 0 0 0 0   |
|   |                        |          |            |               | 22<br>31     | Closi              | nσ       |             |            |           | G    |      | 8            | 00         | 0 00 | 4              |        | 00          |        |                | CR                     |                | 00000                |
|   |                        |          |            |               |              | 0.031              | 8        |             |            |           |      |      | 5            |            |      |                |        |             |        |                |                        |                |                      |
|   |                        |          | Ţ          | C             | Office       | Salari             | es Exp   | ense        |            |           |      |      |              |            |      |                |        |             |        |                |                        |                | Acct. No.            |
|   |                        |          |            |               | Date<br>2004 | 2                  | Explar   | natio       | n          |           |      | P    | ost.<br>Ref. |            | Del  | oit            |        | (           | Cre    | dit            |                        | DR<br>or<br>CR | Balance              |
|   |                        |          | _          | N             | Лау          | 11                 | Linpital |             |            |           |      | (    | GJ1          |            | 65   | 00             |        |             |        |                | 1                      | DR             | 650                  |
|   |                        |          |            |               |              |                    | ljustin  | g           |            |           |      | (    | GJ2<br>GJ2   |            |      | 0000           |        |             |        |                | 1                      | DR<br>DR       | 1300<br>1650         |
|   |                        |          |            |               |              | 31 Cl              | osing    |             |            |           |      | (    | GJ2          |            |      |                |        | 1           | 55     | 000            | )                      |                | -0-                  |

#### (FIGURE 5-5 cont.)

| Da<br>200 |   | F     | yn   | lanat     | tion           |             | Pos<br>Ref | t.           | D          | ebi  | t     |               | Cr        | edi      | it   |          | DR<br>or<br>CR |          | Bala     | an  | C A |            |       |            |     |      |
|-----------|---|-------|------|-----------|----------------|-------------|------------|--------------|------------|------|-------|---------------|-----------|----------|------|----------|----------------|----------|----------|-----|-----|------------|-------|------------|-----|------|
| May       |   |       | -70  | lana      |                |             | GJ1        |              | -          | _    | 00    |               |           |          |      |          | DR             |          | _        | _   |     | )          |       |            |     |      |
|           |   | Clo   | sing | g         |                |             | GJ2        |              | Ē          |      |       |               | 25        | 50       | 00   | _        |                |          |          | 0-  | _   |            |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               | $\square$ |          |      |          |                |          |          |     |     |            | -     | _          |     |      |
| _         |   |       | _    |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     | _          |       |            |     |      |
| T         | elep  |       | e E> | kpen      | se             |             |            |              |            |      |       |               |           |          |      |          |                | DR       | Ac       | ct. | No  | o. 5       | 13    | _          |     |      |
|           |   |       | 1    | Expl      | anat           | ion         |            | Post<br>Ref. | •          | Г    | )ebi  | t             |           | С        | rec  | lit      |                | or<br>CR |          | Ba  | lan | Ce         |       |            |     |      |
| N         |   |       |      |           | arrat          |             |            | GJ2          |            |      |       | 00            |           |          |      |          |                | DR       |          |     |     | 00         | 0     |            |     |      |
|           |   |       | Clo  | osing     | 5              |             |            | GJ2          |            |      |       |               |           | 2        | 2 (  | 00       |                |          |          | -   | - 0 | _          |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           | _        |      |          |                |          | -        |     |     |            |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            | _    |       |               |           | -        |      |          |                |          |          | _   |     |            |       |            |     |      |
| - E       | Date<br>2004<br>May 29<br>31<br>31<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0<br>0 |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |
|           | 0   | ffice | e Su | ppli      | es E           | xpense      |            |              |            |      |       |               |           |          |      |          |                |          |          | A   | cct | . N        | о.    | 514        | ł   |      |
|           | D<br>20   |       |      |           | 1              |             |            |              | Pos        |      | r     | <b>.</b>      |           |          |      | <b>~</b> | 1:4            |          | DR<br>or |     | п   |            |       |            |     |      |
|           |   |       |      |           | zxpia<br>justi | anation     |            |              | Ref<br>GJ2 |      | _     | Debi<br>5 0 0 | _         |          | (    | Crec     | JIT            |          | CR<br>DR | +   |     | alaı<br>50 | _     |            |     |      |
|           | 1.  | _     | 31   |           | sing           |             |            |              | GJ2        |      | _     | , , ,         |           | <b>)</b> | 4    | 500      | 00             |          |          |     |     | -0         |       | 00         |     |      |
|           | Off<br>E<br>2   |       |      | 0.0       | 3              |             |            |              | 0,2        | -    |       |               |           |          | -    |          |                | ·   -    |          |     |     |            |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |
|           | -"=   |       | _    |           |                |             |            |              | _          |      |       |               |           |          |      |          |                |          |          |     | _   |            |       |            |     |      |
|           |   | R     | ent  | Expe      | ense           |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     | ,   | Acc        | ct. I | No.        | 51. | 5    |
|           |   |       | Da   |           |                |             |            |              |            |      | st.   |               |           |          |      |          |                |          |          | DI  |     |            |       |            |     |      |
|           |   |       | 200  | -         |                | Explanation |            |              |            |      | ef.   |               | Deb       | _        | _    | (        | Cre            | dit      |          | CF  | २   | E          | _     | anc        |     |      |
|           |   | N     | lay  |           |                | usting      |            |              | -          |      | J2    | 4             | f ()      | 00       | 0    |          | 4 0            | 0.00     |          | D   | ĸ   |            |       | 0 0<br>0 - | 00  |      |
|           |   |       |      | 51        | Clo            | sing        |            |              | -          | G    | J2    |               |           |          |      | 2        | <del>1</del> 0 | 0 00     |          |     |     |            | -     | 0-         |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          | +              |          |          |     |     |            | T     |            |     |      |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |
|           |   |       |      | Amo       | rtiza          | tion Expen  | ω D        | ockt         | on         | Pul  | ماندا | ning          | Fa        | mir      | m    | ant      |                |          |          |     |     |            | Δ     | cct.       | No  | 51   |
|           |   | Н     | 1    |           |                |             | 3C, D      | CSRU         | op         | i ui |       |               |           | լոր      |      |          |                |          |          |     |     | DR         |       | cci.       | 140 | . 51 |
|           |   |       |      | Da<br>200 |                | Explana     | ation      |              |            |      | F     | ost.<br>lef.  |           | De       | ebit | t        |                | Cre      | dit      |     |     | or<br>CR   |       | Ва         | lan | се   |
|           |   |       | ١    | Мау       | 31             | Adjusting   |            |              |            |      |       | GJ2           |           |          | 80   | 00       |                |          |          |     |     | DR         |       |            |     | 0 00 |
|           |   |       |      |           |                | Closing     |            |              |            |      | (     | GJ2           |           |          |      |          |                | 8        | 0 0      | 0   |     |            |       | -          | -0- | -    |
|           |   |       |      |           |                |             |            |              |            |      |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |
|           |   |       |      |           |                |             |            |              |            | _    |       |               |           |          |      |          |                |          |          |     |     |            |       |            |     |      |

## LEARNING UNIT 5-2 REVIEW

#### **AT THIS POINT** you should be able to:

- Define closing. (p. 174)
- Differentiate between temporary (nominal) and permanent (real) accounts. (p. 174)
- List the four mechanical steps of closing. (p. 175)
- Explain the role of the Income Summary account. (p. 175)
- Explain the role of the worksheet in the closing process. (p. 175)



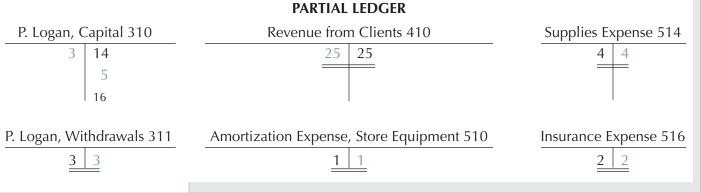
### SELF-REVIEW QUIZ 5-2

(The blank forms you need are on pages 5-2 and 5-3 of the *Study Guide with Working Papers*.)

Go to the worksheet for P. Logan on page 140. Then (1) journalize and post the closing entries and (2) calculate the new balance for P. Logan, Capital.

### Solution to Self-Review Quiz 5-2

|         | Closing Entries                          |     | ы. |    |    |   |   |    |
|---------|--|-----|----|----|----|---|---|----|
| Dec. 31 | Revenue from Clients                     | 410 | 2  | 25 | 00 |   |   |    |
|         | Income Summary                           | 312 |    |    |    | 2 | 5 | 00 |
|         | To close income account                  |     |    | _  |    |   |   |    |
| 31      | Income Summary                           | 312 | 2  | 20 | 00 |   |   |    |
|         | Rent Expense                             | 518 |    |    |    |   | 2 | 00 |
|         | Salaries Expense                         | 512 |    |    |    | 1 | 1 | 00 |
|         | Amortization Expense, Store Equipment    | 510 |    |    |    |   | 1 | 00 |
|         | Insurance Expense                        | 516 |    |    |    |   | 2 | 00 |
|         | Supplies Expense                         | 514 |    |    |    |   | 4 | 00 |
|         | To close expense accounts                |     |    |    |    |   |   |    |
| 31      | Income Summary                           | 312 |    | 5  | 00 |   |   |    |
|         | P. Logan, Capital                        | 310 |    |    |    |   | 5 | 00 |
|         | Transfer net income to Capital accounts  |     |    |    |    |   |   |    |
| 31      | P. Logan, Capital                        | 310 | H  | 3  | 00 |   |   |    |
|         | P. Logan, Withdrawals                    | 311 |    |    |    |   | 3 | 00 |
|         | Transfer withdrawals to Capital accounts |     |    |    |    |   |   |    |



| Income Sumn   | nary 312                   | Salaries Expense                              | 512 | Rent      | Expense 518 |
|---|----------------------------|---|-----|-----------|-------------|
| 20 2  | 5                          | 11 11   |     |           | 2 2         |
| 5   |                            |   |     |           |             |
| <i>Quiz Tip</i><br>No calculations are needed in  | P. Logan<br>Net Inco       | -   | \$5 | \$14      |             |
| the closing process. All numbe<br>come from the worksheet.<br>Income summary is a tempora<br>account in the ledger. | rs Less: Wi<br>ry Increase | thdrawals<br>in Capital<br>, Capital (ending) | 3   | 2<br>\$16 |             |

## **LEARNING UNIT 5-3**

The Post-Closing Trial Balance: Step 9 of the Accounting Cycle and the Accounting Cycle Reviewed

The post-closing trial balance helps prove the accuracy of the adjusting and closing process. It contains the true ending figure for capital.

## **P**REPARING A POST-CLOSING TRIAL BALANCE

The last step in the accounting cycle is the preparation of a **post-closing trial balance** (sometimes called an opening trial balance), which lists only permanent accounts in the ledger and their balances after adjusting and closing entries have been posted. This post-closing trial balance aids in checking whether the ledger is in balance. It is important to do this checking because so many new postings go to the ledger from the adjusting and closing process.

The procedure for taking a post-closing trial balance is the same as for a trial balance, except that, since closing entries have closed all temporary accounts, the post-closing trial balance will contain only permanent accounts (balance sheet). Keep in mind, however, that adjustments have occurred.

## THE ACCOUNTING CYCLE REVIEWED

Table 5-1 lists the steps we completed in the manual accounting cycle for Clark's Desktop Publishing Services for the month of May.

**Insight:** Most companies journalize and post adjusting and closing entries only at the end of their fiscal year. A company that prepares interim reports may complete only the first six steps of the cycle. Worksheets allow the preparation of interim reports without the formal adjusting and closing of the books.

**Insight:** To prepare a financial report for April, the data needed can be obtained by subtracting the worksheet accumulated totals for the end of March from the worksheet prepared at the end of April. In this chapter, we chose a month that would show the completion of an entire cycle for Clark's Desktop Publishing Services.

| TABLE 5-1         STEPS OF THE MANUAL A  | CCOUNTING CYCLE   |
|--|---|
| Step   | Explanation   |
| <b>1.</b> Business transactions occur and generate source documents.                 | Source documents are cash register<br>tapes, sales tickets, bills, cheques,<br>payroll cards, etc.  |
| <ul><li><b>2.</b> Analyze and record business transactions into a journal.</li></ul> | ↓<br>Called journalizing  |
| $\downarrow$   | Ŷ   |
| <b>3.</b> Post or transfer information from journal to ledger.                       | Copying the debits and credits of the journal entries into the ledger accounts  |
| $\downarrow$   | $\downarrow$  |
| <b>4.</b> Prepare a trial balance.   | Summarizing each individual ledger<br>account and listing these accounts and<br>their balances to test for mathematical<br>accuracy in recording transactions |
| $\downarrow$   | Ļ   |
| 5. Prepare a worksheet.  | A multicolumn form that summarizes<br>accounting information to complete<br>the accounting cycle  |
| V  | Ļ   |
| 6. Prepare financial statements.   | Income statement, statement of owner's equity, and balance sheet  |
| ↓  | Ļ   |
| 7. Journalize and post adjusting entries.  | Use figures in the adjustment columns of worksheet.   |
| ↓  | $\downarrow$  |
| 8. Journalize and post closing entries.  | Use figures in the income statement and balance sheet sections of worksheet.  |
| V  | Ļ   |
| <b>9.</b> Prepare a post-closing trial balance.                                      | Prove the mathematical accuracy of the adjusting and closing process of the accounting cycle.   |
|  |   |

## LEARNING UNIT 5-3 REVIEW

#### AT THIS POINT you should be able to:

- Prepare a post-closing trial balance. (p. 184)
- Explain the relationship of interim reports to the accounting cycle. (p. 184)



## **SELF-REVIEW QUIZ 5-3**

(The blank forms you need are on page 5-3 of the Study Guide with Working Papers.)

From the ledger on pages 179 to 182, prepare a post-closing trial balance.

#### **Solution to Self-Review Quiz 5-3**

| CLARK'S DESKTOP PUBLISHING SERVICES<br>POST-CLOSING TRIAL BALANCE<br>MAY 31, 2004 | 5           |
|---|-------------|
|   | Dr.         |
|   | ( 1 = = 0.0 |

|  |   |   | L   | Jr  | •   |   |  |   | C  | r.  |   |   |   |
|--|---|---|---|---|---|---|--|---|--|---|---|---|---|
| Cash   |   | 6   | 1   | 5   | 5   | 00  |  |   |  |   |   |   |   |
| Accounts Receivable                                    |   | 5   | 0   | 0   | 0   | 00  |  |   |  |   |   |   |   |
| Office Supplies  |   |   | 1   | 0   | 0   | 00  |  |   |  |   |   |   |   |
| Prepaid Rent   |   |   | 8   | 0   | 0   | 00  |  |   |  |   |   |   |   |
| Desktop Publishing Equipment                           |   | 6   | 0   | 0   | 0   | 00  |  |   |  |   |   |   |   |
| Accumulated Amortization, Desktop Publishing Equipment |   |   |   |   |   |   |  |   |  | 8   | 0   | 00  |   |
| Accounts Payable                                       |   |   |   |   |   |   |  | 3   | 3  | 5   | 0   | 00  |   |
| Salaries Payable                                       |   |   |   |   |   |   |  |   | 3  | 5   | 0   | 00  |   |
| Brenda Clark, Capital                                  |   |   |   |   |   |   | 1  | 4   | 2  | 7   | 5   | 00  |   |
| Totals   | 1   | . 8   | 0   | 5   | 5   | 00  | 1  | 8   | 0  | 5   | 5   | 00  |   |
|  |   | _   |   |   |   |   | T  |   |  |   |   |   | 1   |
|  |   |   |   |   |   |   |  |   |  |   |   |   |   |
|  |   |   |   |   |   |   |  |   |  |   |   |   |   |
|  |   |   |   |   |   |   |  |   |  |   |   |   |   |
|  | Accounts Receivable<br>Office Supplies<br>Prepaid Rent<br>Desktop Publishing Equipment<br>Accumulated Amortization, Desktop Publishing Equipment<br>Accounts Payable<br>Salaries Payable<br>Brenda Clark, Capital | Accounts ReceivableIOffice SuppliesIPrepaid RentIDesktop Publishing EquipmentIAccumulated Amortization, Desktop Publishing EquipmentIAccounts PayableISalaries PayableIBrenda Clark, CapitalI | Accounts Receivable5Office SuppliesPrepaid RentDesktop Publishing Equipment6Accumulated Amortization, Desktop Publishing EquipmentAccounts PayableSalaries PayableBrenda Clark, Capital | Cash6Accounts Receivable5Office Supplies1Prepaid Rent8Desktop Publishing Equipment6Accounts Payable4Salaries Payable4Brenda Clark, Capital4 | Cash61Accounts Receivable50Office Supplies10Prepaid Rent80Desktop Publishing Equipment60Accounts Payable11Accounts Payable11Salaries Payable11Brenda Clark, Capital11 | Accounts Receivable500Office SuppliesIIIIPrepaid RentIIIIIDesktop Publishing EquipmentIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII | CashI50Accounts Receivable5000Office Supplies1000Prepaid Rent1000Desktop Publishing Equipment6000Accounts Payable6000Accounts Payable6000Brenda Clark, Capital0000 | Cash6 1 5 0 00Accounts Receivable5 0 0 000Office Supplies1 0 0 000Prepaid Rent8 0 0 000Desktop Publishing Equipment6 0 0 000Accounts Payable0 0 000Accounts Payable0 0 000Salaries Payable0 0 000Brenda Clark, Capital0 0 000 | Cash615001Accounts Receivable5000000Office Supplies100 | Cash61501Accounts Receivable500 | Cash61501100100100010001000100010001000100< | Cash615001000100 <td>Cash6150011001000</td> | Cash6150011001000 |

The post-closing trial balance contains only permanent accounts because all temporary accounts have been closed. All temporary accounts are summarized in the capital account.

The doorbell rang at 1 a.m. "The cavalry has arrived!" said the giant in the doorway.

"You're a real friend in need, Lou," said Fred gratefully, as he opened the door. "I've been over and over this, and I can't get it to balance. And my monthly closing is due to Dwayne at noon tomorrow! I hate to bother you so late, but. . . ." Fred had called Lou Jacobs, his roommate

at Dunkin' Donuts University. Lou had ridden hard to the rescue—one and a half hours on the expressway.

"You look as if you haven't slept in days, Fred," interrupted Lou. "This is what friends are for. Let me at those accounts! You put a pot of coffee on. I'll start with payroll, because you hired someone this month."

Dunkin' Donuts company policy calls for a closing before noon on the last Saturday every month. This way comparisons between shops are most valid. Dunkin' Donuts University stresses to all shop owners that the monthly closing grows more difficult as the year progresses. Errors become harder to find, and accuracy becomes ever more critical. There is, unfortunately, no set way to find errors, and even no set place to start. Lou chose payroll because it is one of the largest expenses and because of the new hire.

At 2:45 a.m. Lou woke Fred, who was dozing. "I think I've got it, Fred! It looks like you messed up on adjusting the Salaries Expense account. I looked at the



Payroll Register and compared the total to the Salaries Payable account. It didn't match! Remember, you hired Maria Sanchez on the 26th, so you have to increase both the Salaries Expense and the Salaries Payable lines, because she has accrued wages. Salaries Expense is a debit and Salaries Payable is a credit. You skipped the payable. Now, if you make this adjusting entry in the

General Journal, the worksheet will balance."

Fred's sigh of relief turned into a big yawn, and they both laughed. "Thank heavens you stayed awake in accounting class!" said Fred, with another huge yawn.

## **DISCUSSION QUESTIONS**

- 1. How would the adjustment be made if Maria Sanchez received \$6.50 per hour and worked 25 hours? Where would you place her accrued wages?
- 2. Fred bought six new uniforms for Maria Sanchez for \$72 each, but forgot to post this to the Uniforms account. How much will the closing balance be off? In what way will it be off?
- 3. Why does Dunkin' Donuts require a monthly closing from each shop, no matter how much—or little—business each one does?

## COMPREHENSIVE DEMONSTRATION PROBLEM WITH SOLUTION TIPS

(The blank forms you need are on pages 5-4 to 5-10 of the *Study Guide with Working Papers.*)

From the following transactions for Rolo Company, complete the entire accounting cycle. The chart of accounts includes:

| Assets                        | Owner's Equity              |
|-------------------------------|-----------------------------|
| 111 Cash                      | 311 R. Kern, Capital        |
| 112 Accounts Receivable       | 312 R. Kern, Withdrawals    |
| 114 Prepaid Rent              | 313 Income Summary          |
| 115 Office Supplies           |                             |
| 121 Office Equipment          | Revenue                     |
| 122 Accumulated Amortization, | 411 Fees Earned             |
| Office Equipment              |                             |
|                               | Expenses                    |
| Liabilities                   | 511 Salaries Expense        |
| 211 Accounts Payable          | 512 Advertising Expense     |
| 212 Salaries Payable          | 513 Rent Expense            |
|                               | 514 Office Supplies Expense |
|                               | 515 Amortization Expense,   |
|                               | Office Equipment            |

We will use unusually small numbers to simplify calculation and emphasize the theory.

#### 2004

- Jan. 2 Rolo Kern invested \$1,200 cash and \$100 worth of office equipment to open Rolo Co.
  - 2 Paid rent for three months in advance, \$300.
  - 4 Purchased office equipment on account, \$50.
  - 6 Bought office supplies for cash, \$40.
  - 8 Collected \$400 for services rendered.
  - 12 Rolo paid his home electric bill from the company bank account, \$20.
  - 14 Provided \$100 worth of services to clients who will not pay until next month.
  - 16 Paid salaries, \$60.
  - 18 Advertising bill for \$70 was received but will not be paid until next month.

#### Adjustment Data on January 31

| a. | Supplies on Hand               | \$6   |
|----|--------------------------------|-------|
| b. | Rent Expired                   | \$100 |
| c. | Amortization, Office Equipment | \$20  |
| d. | Salaries Accrued               | \$50  |

### Journalizing Transactions and Posting to Ledger, Rolo Company

| General | Journal                        |     |        | Page   |
|---------|--------------------------------|-----|--------|--------|
| Date    | Account Titles and Description | PR  | Dr.    | Cr.    |
| 2004    |                                |     |        |        |
| Jan.    | 2 Cash                         | 111 | 120000 |        |
|         | Office Equipment               | 121 | 10000  |        |
|         | R. Kern, Capital               | 311 |        | 130000 |
|         | Initial investment             |     |        |        |
|         | 2 Prepaid Rent                 | 114 | 30000  |        |
|         | Cash                           | 111 |        | 30000  |
|         | Rent paid in advance—3 months  |     |        |        |
|         |                                |     |        |        |
|         | 4 Office Equipment             | 121 | 5000   |        |
|         | Accounts Payable               | 211 |        | 5000   |
|         | Purchased equipment on account |     |        |        |
|         | 5 Office Supplies              | 115 | 4000   |        |
|         | Cash                           | 111 | 1000   | 4000   |
|         | Supplies purchased for cash    |     |        | 1000   |
|         |                                |     |        |        |
|         | 3 Cash                         | 111 | 40000  |        |
|         | Fees Earned                    | 411 |        | 40000  |
|         | Services rendered              |     |        |        |
| 1       | 2 R. Kern, Withdrawals         | 312 | 2000   |        |
| 1.      | Cash                           | 111 | 2000   | 2000   |
|         | Personal payment of a bill     |     |        |        |
|         |                                |     |        |        |
| 1       | Accounts Receivable            | 112 | 10000  |        |
|         | Fees Earned                    | 411 |        | 10000  |
|         | Services rendered on account   |     |        |        |
| 1       |                                |     |        |        |
| 1       |                                | 511 | 6000   | 6000   |
|         | Cash                           | 111 |        | 6000   |
|         | Paid salaries                  |     |        |        |
| 1       | Advertising Expense            | 512 | 7000   |        |
|         | Accounts Payable               | 211 |        | 7000   |
|         | Advertising bill, but not paid |     |        |        |

## Solution Tips to Journalizing and Posting Transactions

| Jan. <b>2</b> | Cash<br>Office Equipment<br>R. Kern, Capital | Asset<br>Asset<br>Capital | <b>^</b>   | Dr.<br>Dr.<br>Cr. | \$1,200<br>\$ 100<br>\$1,300 |
|---------------|--|---------------------------|------------|-------------------|------------------------------|
| Jan. <b>2</b> | Prepaid Rent<br>Cash                         | Asset<br>Asset            | <b>1</b> ↓ | Dr.<br>Cr.        | \$ 300<br>\$ 300             |

| Jan. <b>4</b>  | Office Equipment<br>Accounts Payable    | Asset<br>Liability                | ↑<br>↑       | Dr.<br>Cr. | \$50<br>\$50     |
|----------------|---|-----------------------------------|--------------|------------|------------------|
|                |   |                                   |              |            |                  |
| Jan. <b>6</b>  | Office Supplies<br>Cash                 | Asset<br>Asset                    | ↑<br>↓       | Dr.<br>Cr. | \$ 40<br>\$ 40   |
|                |   |                                   |              |            |                  |
| Jan. <b>8</b>  | Cash<br>Fees Earned                     | Asset<br>Revenue                  | ↑<br>↑       | Dr.<br>Cr. | \$ 400<br>\$ 400 |
|                |   |                                   |              |            |                  |
| Jan. <b>12</b> | R. Kern, Withdrawals<br>Cash            | Owner's Equity (Withdr.)<br>Asset | $\downarrow$ | Dr.<br>Cr. | \$ 20<br>\$ 20   |
|                |   |                                   |              |            |                  |
| Jan. <b>14</b> | Accounts Receivable<br>Fees Earned      | Asset<br>Revenue                  | ↑<br>↑       | Dr.<br>Cr. | \$ 100<br>\$ 100 |
|                |   |                                   |              |            |                  |
| Jan. <b>16</b> | Salaries Expense<br>Cash                | Expense<br>Asset                  | ↑<br>↓       | Dr.<br>Cr. | \$ 60<br>\$ 60   |
|                |   |                                   |              |            |                  |
| Jan. <b>18</b> | Advertising Expense<br>Accounts Payable | Expense<br>Liability              | ↑<br>↑       | Dr.<br>Cr. | \$ 70<br>\$ 70   |

*Note:* All account titles come from the chart of accounts. When journalizing, the PR column of the general journal is blank. It is in the posting process that we update the ledger. The Post. Ref. column in the ledger accounts tells us from which journal page the information came. After posting to the account in the ledger, we fill in the PR column of the journal, telling us to what account number the information was transferred.

#### **COMPLETING THE WORKSHEET**

See the worksheet on page 190.

## Solution Tips to the Trial Balance and Completion of the Worksheet

After the posting process is complete from the journal to the ledger, we take the ending balance in each account and prepare a trial balance on the worksheet. If an account title has no balance, it is not listed on the trial balance. New titles on the worksheet will be added below the trial balance as needed.

|                               | Trial Balance | alance | ×           | Adjustments | s         | Adjusted 1  | Adjusted Trial Balance | Income | Income Statement | Balanc     | Balance Sheet         |
|-------------------------------|---------------|--------|-------------|-------------|-----------|-------------|------------------------|--------|------------------|------------|-----------------------|
| Account Titles                | Dr.           | Cr.    | Dr.         |             | Cr.       | Dr.         | Cr.                    | Dr.    | Cr.              | Dr.        | Cr.                   |
| Cash                          | 1 1 8 0 00    |        |             |             |           | 1 1 8 0 0 0 |                        |        |                  | 1 1 8 0 00 |                       |
| Accounts Receivable           | 10000         |        |             |             |           | 10000       |                        |        |                  | 10000      |                       |
| Prepaid Rent                  | 30000         |        |             | (B) 1       | (B) 10000 | 20000       |                        |        |                  | 20000      |                       |
| Office Supplies               | 4000          |        |             | (Y)         | 3400      | 600         |                        |        |                  | 600        |                       |
| Office Equipment              | 15000         |        |             |             |           | 15000       |                        |        |                  | 15000      |                       |
| Accounts Payable              |               | 12000  |             |             |           |             | 1 2 0 00               |        |                  |            | 1 2 0 00              |
| R. Kern, Capital              |               | 130000 |             |             |           |             | 130000                 |        |                  |            | 130000                |
| R. Kern, Withdrawals          | 2000          |        |             |             |           | 2000        |                        |        |                  | 2 0 00     |                       |
| Fees Earned                   |               | 50000  |             |             |           |             | 50000                  |        | 50000            |            |                       |
| Salaries Expense              | 6000          |        | (D) 5000    | 00          |           | 1 1 0 00    |                        | 11000  |                  |            |                       |
| Advertising Expense           | 7000          |        |             |             |           | 7000        |                        | 7000   |                  |            |                       |
|                               | 192000        | 192000 |             |             |           |             |                        |        |                  |            |                       |
|                               |               |        |             |             |           |             |                        |        |                  |            |                       |
| Office Supplies Expense       |               |        | (A) 3400    | 00          |           | 3400        |                        | 3400   |                  |            |                       |
| Rent Expense                  |               |        | -           | 00          |           | 1 0 0 00    |                        | 10000  |                  |            |                       |
| Amort. Expense, Office Equip. |               |        | (C) 2 0 0 0 | 00          |           | 2 0 00      |                        | 2 0 00 |                  |            |                       |
| Accum. Amort., Office Equip.  |               |        |             | C           | 2000      |             | 2000                   |        |                  |            | 2000                  |
| Salaries Payable              |               |        |             | <u>ê</u>    | 5000      |             | 5 0 00                 |        |                  |            | 5000                  |
|                               |               |        | 20400       |             | 20400     | 199000      | 199000                 | 33400  | 50000            | 165600     | 1 4 9 0 00            |
| Net Income                    |               |        |             |             |           |             |                        | 16600  |                  |            | 16600                 |
|                               |               |        |             |             |           |             |                        | 20002  |                  |            | (<br>)<br>)<br>)<br>) |

**ROLO COMPANY** 

|  |  | ADJUSTMEN                 | ITS           |            |                |              |
|--|--|---------------------------|---------------|------------|----------------|--------------|
| The amount of office supplies on hand (\$6) is <i>not</i> the adjustment.<br>Need to calculate amount used | Office Supplies Expense<br>Office Supplies                 | Expense<br>Asset          | ↑<br>↓        | Dr.<br>Cr. | \$ 34<br>\$ 34 | (\$40 - \$6) |
| up.  |  |                           |               |            |                |              |
| Expired  | Rent Expense<br>Prepaid Rent                               | Expense<br>Asset          | ↑<br>↓        | Dr.<br>Cr. | \$100<br>\$100 |              |
|  |  |                           |               |            |                |              |
| Do not touch original cost of equipment.   | Amort. Exp., Office Equip.<br>Accum. Amort., Office Equip. | Expense<br>Asset (Contra) | <b>↑</b><br>↓ | Dr.<br>Cr. | \$ 20<br>\$ 20 |              |
|  |  |                           | _             |            |                |              |
| Owed but not paid  | Salaries Expense<br>Salaries Payable                       | Expense<br>Liability      | ↑<br>↑        | Dr.<br>Cr. | \$50<br>\$50   |              |
|  |  |                           |               |            |                | 1. 1 1 1     |

*Note:* This information is on the worksheet but has *not* been updated in the ledger. (This will happen when we journalize and post adjustments at end of cycle.)

Note that the last four columns of the worksheet come from numbers on the adjusted trial balance.

We move Net Income of \$166 to the balance sheet credit column, since the capital figure is the old one on the worksheet.

#### PREPARING THE FORMAL FINANCIAL STATEMENTS

| ROLO COMI<br>INCOME STAT<br>FOR MONTH ENDED JA | EMENT | 04 |     |      |    |   |   |   |    |
|--|-------|----|-----|------|----|---|---|---|----|
| Revenue:                                       |       |    |     |      |    |   |   | Γ |    |
| Fees Earned                                    |       |    |     |      | \$ | 5 | 0 | 0 | 00 |
| Operating Expenses:                            |       | -  |     |      |    |   |   |   |    |
| Salaries Expense                               | \$    | 1  | 1 ( | 00   |    | - |   |   |    |
| Advertising Expense                            |       |    | 7 ( | 00   |    |   |   | T |    |
| Office Supplies Expense                        |       |    | 34  | É 00 |    |   |   |   |    |
| Rent Expense                                   |       | 1  | 0 ( | 00   |    |   |   |   |    |
| Amortization Expense, Office Equipment         |       |    | 2 ( | 00   |    |   |   |   |    |
| Total Operating Expenses                       |       |    |     |      |    | 3 | 3 | 4 | 00 |
| Net Income                                     |       |    |     |      | Ś  | 1 | 6 | 6 | 00 |

| ROLO COMP/<br>STATEMENT OF OWN<br>FOR MONTH ENDED JAN | ER'S EQUITY |
|---|-------------|
| R. Kern, Capital, January 1, 2004                     | \$130000    |
| Net Income for January                                | \$16600     |
| Less: Withdrawals for January                         | 2000        |
| Increase in Capital                                   | 14600       |
| R. Kern, Capital, January 31, 2004                    | \$144600    |
|   |             |

|                     |         |    |    |             |     |          | B   | BAL | O COMPANY<br>ANCE SHEET<br>JARY 31, 2004 |   |      |   |       |   |    |   |     |     |   |
|---------------------|---------|----|----|-------------|-----|----------|-----|-----|--|---|------|---|-------|---|----|---|-----|-----|---|
| Assets              |         |    |    |             |     |          |     |     | Liabilities<br>and Owner's Equity        |   |      |   |       |   |    |   |     |     | Ī |
| Cash                |         |    |    | \$1         | l 1 | <b>8</b> | 0 0 | )0  | Liabilities:                             |   |      |   |       |   |    |   |     |     |   |
| Accounts Receivable |         |    |    |             | 1   | L 0      | 0 0 | )0  | Accounts Payable                         | Ş | \$ 1 | 2 | 0 0 0 |   |    |   |     |     |   |
| Prepaid Rent        |         |    |    |             | 2   | 2 0      | 0 ( | 00  | Salaries Payable                         |   |      | 5 | 0 0 0 |   |    |   |     |     |   |
| Office Supplies     |         |    |    |             |     |          | 6 ( | 00  | Total Liabilities                        |   |      |   |       | Ś | ;  | 1 | 7 ( | 00  |   |
| Office Equipment    | \$<br>1 | 50 | 00 |             |     |          |     |     | Owner's Equity:                          |   |      |   |       |   |    |   |     |     |   |
| Less: Acc. Amort.   |         | 20 | 00 |             | 1   | 13       | 0 ( | 00  | R. Kern, Capital                         |   |      |   |       |   | 1  | 4 | 4 ( | 600 |   |
|                     |         |    |    |             |     |          |     |     | Total Liabilities and                    |   |      |   |       |   |    |   |     |     |   |
| Total Assets        |         |    |    | <b>\$</b> 1 | 16  | 51       | 60  | 00  | Owner's Equity                           |   |      |   |       | Ş | 51 | 6 | 1 ( | 600 |   |
|                     |         |    |    |             | Г   |          |     |     |  |   | Γ    |   |       | F |    |   |     |     | Ĩ |
|                     |         |    |    |             |     |          |     |     |  |   |      |   |       |   |    |   |     |     | 1 |
|                     |         |    |    |             |     |          |     |     |  |   |      |   |       |   |    |   |     |     | Î |
|                     | Π       |    |    |             |     |          |     |     |  |   |      |   |       | 1 |    | 1 |     |     | Ĩ |
|                     | Ħ       |    |    |             | T   |          |     |     |  |   | t    |   |       | + |    | 1 |     |     | Ì |
|                     | Ħ       |    |    |             | t   |          |     |     |  |   | F    | 1 |       | t |    | 1 | 1   |     | Î |

#### **Solution Tips to Preparing the Financial Statements**

The statements are prepared from the worksheet. (Many of the ledger accounts are not up to date.) The income statement lists revenue and expenses. The net income figure of \$166 is used to update the statement of owner's equity. The statement of owner's equity calculates a new figure for Capital, \$1,446 (Beginning Capital + Net Income – Withdrawals). This new figure is then listed on the balance sheet (Assets, Liabilities, and a new figure for Capital).

#### JOURNALIZING AND POSTING ADJUSTING AND CLOSING ENTRIES

See the journal at the top of page 193.

## Solution Tips to Journalizing and Posting Adjusting and Closing Entries

#### **ADJUSTMENTS**

The adjustments from the worksheet are journalized (same journal) and posted to the ledger. Now ledger accounts will be brought up to date. Remember, we have already prepared the financial reports from the worksheet. Our goal now is to get the ledger up to date.

#### CLOSING

Note: Income Summary is a temporary account located in the ledger.

#### Goals

Where do I get my information for closing?

- 1. Adjust all temporary accounts in the ledger to zero balances.
- **2.** Determine a new figure for capital in the ledger.

|           |            | Gene | ral Jo | purnal   |     |       | Page  |
|-----------|------------|------|--------|--|-----|-------|-------|
|           |            | Da   | te     | Account Titles and Description                         | PR  | Dr.   | Cr.   |
|           |            |      |        | Adjusting Entries                                      |     |       |       |
|           |            | Jan. | 31     | Office Supplies Expense                                | 514 | 3400  |       |
|           | _          |      |        | Office Supplies  | 115 |       | 3400  |
|           | -          |      |        | Supplies used  |     |       |       |
|           | -          |      | 31     | Rent Expense   | 513 | 10000 |       |
|           |            |      |        | Prepaid Rent   | 114 |       | 10000 |
|           | _          |      |        | Rent expired   |     |       |       |
|           | -          |      | 31     | Amortization Expense, Office Equipment                 | 515 | 2000  |       |
|           |            |      |        | Accumulated Amortization, Office Equip.                | 122 |       | 2000  |
|           |            |      |        | Estimated Amortization                                 |     |       |       |
|           | -          |      | 31     | Salaries Expense                                       | 511 | 5000  |       |
|           | -          |      |        | Salaries Payable                                       | 212 |       | 5000  |
|           | -          |      |        | Accrued salaries                                       |     |       |       |
|           | 🗸 Step 1 — |      | 31     | Closing Entries<br>Fees Earned                         | 411 | 50000 |       |
|           |            |      |        | Income Summary   | 313 | 50000 | 50000 |
|           |            |      |        | To close income accounts                               | 515 |       |       |
|           | Stor 2     |      | 21     | In come Current and                                    | 242 |       |       |
|           | Step 2 —   |      | 31     | Income Summary   | 313 | 33400 | 11000 |
|           | -          |      |        | Salaries Expense                                       | 511 |       | 7000  |
|           | -          |      |        | Advertising Expense<br>Office Supplies Expense         | 512 |       | 3400  |
| Closing 🖌 | -          |      |        |  | 514 |       |       |
|           | -          |      |        | Rent Expense<br>Amortization Expense, Office Equipment | 513 |       | 10000 |
|           | -          |      |        | <u> </u>   | 515 |       | 2000  |
|           | -          |      |        | To close expense accounts                              |     |       |       |
|           | Step 3 —   |      | 31     | Income Summary   | 313 | 16600 |       |
|           | -          |      |        | R. Kern, Capital                                       | 311 |       | 16600 |
|           | -          |      |        | Transfer profit to Capital                             |     |       |       |
|           | Step 4 —   |      | 31     | R. Kern, Capital                                       | 311 | 2000  |       |
|           |            |      |        | R. Kern, Withdrawals                                   | 312 |       | 2000  |
|           |            |      |        | Transfer withdrawals to Capital                        |     |       |       |

### **Steps in the Closing Process**

- **Step 1:** Close revenue to Income Summary.
- Step 2: Close individual expenses to Income Summary.
- **Step 3:** Close balance of Income Summary to Capital. (This really is the net income figure on the worksheet.)
- **Step 4:** Close balance of Withdrawals to Capital.

All the journal closing entries are posted. (No new calculations are needed, since all figures are on the worksheet.) The result in the ledger is that all temporary accounts have a zero balance.

#### GENERAL LEDGER

| Cash  |  |   |   |  |   | Acct. No. 111   | Dala Kara Carital   |   |  |  |   | A + - N   |
|---|--|---|---|--|---|---|---|---|--|--|---|---|
| Cash<br>Date  |  | Post.   |   |  | DR  | Acci. No. 111   | Rolo Kern, Capital  | Deat  |  |  | DR  | Acct. N   |
| 2004  | Explanation  | Ref.  | Debit   | Credit   | or<br>CR  | Balance   | 2004 Explanation  | Post.<br>Ref.   | Debit  | Credit   | or<br>CR  | Bala  |
| n. 2  |  | GJ1   | 120000  |  | DR.   | 120000  | Jan. 2  | GJ1   |  | 130000   | CR.   | 130   |
| 2   |  | GJ1   |   | 30000  | DR.   | 90000   | 31 Closing  | GJ2   |  | 16600  | CR.   | 146   |
| 6   |  | GJ1   |   | 4000   | DR.   | 86000   | 31 Closing  | GJ2   | 2000   |  | CR.   | 144   |
| 8   |  | G1  | 40000   |  | DR.   | 126000  |   |   |  |  |   |   |
| 12  |  | GJ1   |   | 2000   | DR.   | 124000  |   |   |  |  |   |   |
| 16  |  | GJ1   |   | 6000   | DR.   | 118000  |   |   |  |  |   |   |
|   |  | _   |   |  |   |   | Rolo Kern, Withdrawals  |   |  |  |   | Acct. N   |
|   |  |   |   |  |   |   | Date  | Post.   |  |  | DR<br>or<br>CR  |   |
|   |  |   |   |  |   |   | 2004 Explanation  | Ref.  | Debit  | Credit   | CR  | Bala  |
|   | p : 11   |   |   |  |   | A ( NL 112  | Jan. 12   | GJ1   | 2000   |  | DR.   | 2   |
|   | Receivable   |   |   |  |   | Acct. No. 112   | 31 Closing  | GJ2   |  | 2000   |   | -0  |
| Date  | Explanation  | Post.   | Debit   | Credit   | DR<br>or<br>CR  | Balance   |   |   |  |  |   |   |
| 2004<br>an. 14  | Explanation  | Ref.<br>GJ1   | 10000   | Cleuit   | DR.   | 10000   |   |   |  |  |   |   |
|   |  | - Oji   | 10000   |  | DR.   | 10000   |   |   |  |  |   |   |
|   |  |   |   |  |   |   | Income Summary  |   |  | 11   |   | Acct. N   |
|   |  |   |   |  |   |   | Date  | Post.   | D-hit  | Curdit   | DR<br>or<br>CR  |   |
|   |  |   |   |  |   |   | 2004 Explanation  | Ref.  | Debit  | Credit   |   | Balar   |
| repaid R  | Rent   |   |   |  |   | Acct. No. 114   | Jan. 31 Closing<br>31 Closing   | GJ2   | 33400  | 50000  | CR.<br>CR.  | 50<br>16  |
| · ·   |  | D. (  |   |  | DR  |   | 31 Closing  | GJ2<br>GJ2  | 16600  |  | CR.   | -0  |
| Date<br>2004  | Explanation  | Post.<br>Ref.   | Debit   | Credit   | or<br>CR  | Balance   | 51 Closing  | 012   | 10000  |  |   | -0  |
| an. 2   |  | GJ1   | 30000   |  | DR.   | 30000   |   |   |  |  |   |   |
|   | Adjustment   | GJ1   |   | 10000  | DR.   | 20000   |   |   |  |  | _   | _   |
|   |  |   |   |  |   |   | Fees Earned   |   |  |  |   | Acct. N   |
|   |  |   |   |  |   |   | Date  | Post.   |  |  | DR.   |   |
|   |  |   |   |  |   |   | 2004 Explanation  | Ref.  | Debit  | Credit   | CR.   | Balar   |
| Office Su   | ipplies  |   |   |  |   | Acct. No. 115   | Jan. 8  | GJ1   |  | 40000  | CR.   | 40  |
| Date  |  | Post.   |   |  | DR<br>or<br>CR  |   | 14  | GJ1   |  | 10000  | CR.   | 50  |
| 2004  | Explanation  | Ref.  | Debit   | Credit   |   | Balance   | 31 Closing  | GJ2   | 50000  |  |   | -0  |
| lan. 6  |  | GJ1   | 4000  |  | DR.   | 4000  |   |   |  |  |   |   |
| 31  | Adjustment   | GJ2   |   | 3400   | DR.   | 600   |   |   |  |  |   |   |
|   |  |   |   |  |   |   |   |   |  |  |   |   |
|   |  |   |   |  |   |   | Salaries Expense  |   |  |  |   | Acct. N   |
| Office Eq   | luipment   |   |   |  |   | Acct. No. 121   | Date  | Post.   | Debit  | Credit   | DR.<br>CR.  | Balar   |
|   |  |   |   |  |   |   | 2004 Explanation  |   |  |  |   | Daidi   |
| Date  |  | Port  |   |  | DB  |   | 2004 Explanation  | Ref.  |  | Credit   |   | 6   |
| Date<br>2004  | Explanation  | Post.<br>Ref.   | Debit   | Credit   | DR.<br>CR.  | Balance   | Jan. 16 Closing   | GJ1   | 6000<br>5000   |  | DR.<br>DR.  |   |
| 2004<br>Jan. 2  | •  |   | Debit<br>10000  | Credit   |   |   |   |   | 6000   | 11000  | DR.   | 11  |
| 2004  | •  | Ref.  |   | Credit   | CR.   | Balance<br>10000<br>15000   | Jan. 16 Closing<br>31 Adjusting   | GJ1<br>GJ2  | 6000   |  | DR.   | 11  |
| 2004<br>Jan. 2  | •  | Ref.<br>GJ1   | 10000   | Credit   | CR.<br><b>DR.</b>   | Balance   | Jan. 16 Closing<br>31 Adjusting   | GJ1<br>GJ2  | 6000   |  | DR.   | 11  |
| 2004<br>Jan. 2  | •  | Ref.<br>GJ1   | 10000   | Credit   | CR.<br><b>DR.</b>   | Balance<br>10000<br>15000   | Jan.     16     Closing       31     Adjusting       31     Closing   | GJ1<br>GJ2  | 6000   |  | DR.<br>DR.  | 11  |
| 2004<br>Jan. 2<br>4   |  | Ref.<br>GJ1<br>GJ1  |   | Credit   | CR.<br><b>DR.</b>   | Balance<br>10000<br>15000   | Jan.       16       Closing         31       Adjusting         31       Closing   | GJ1<br>GJ2<br>GJ2   | 6000   |  | DR.<br>DR.  | 11  |
| 2004<br>Jan. 2<br>4   | •  | Ref.<br>GJ1<br>GJ1<br>e Equipm  |   | Credit   | CR.<br>DR.<br>DR.   | Balance<br>10000<br>15000   | Jan.     16     Closing       31     Adjusting       31     Closing   | GJ1<br>GJ2  | 6000   |  | DR.<br>DR.  | 1 1<br>- 0<br>Acct. No  |
| 2004<br>Jan. 2<br>4   |  | Ref.<br>GJ1<br>GJ1  |   | Credit   | CR.<br>DR.<br>DR.   | Balance<br>10000<br>15000   | Jan.     16     Closing       31     Adjusting       31     Closing         Advertising Expense         Date  | GJ1<br>GJ2<br>GJ2   |  | 11000  | DR.<br>DR.  | 1 1<br>– 0<br>Acct. No<br>Balan   |
| 2004<br>Jan. 2<br>4<br>Accumula<br>Date<br>2004   | ated Amortization, Offic   | e Equipm<br>Post.   | 10000<br>5000   |  | CR.<br><b>DR.</b>   | Balance   | Jan.     16     Closing       31     Adjusting       31     Closing         31     Closing         Advertising Expense         Date       2004     Explanation  | GJ1<br>GJ2<br>GJ2<br>Post.<br>Ref.  | 6000<br>5000   | 11000  | DR.<br>DR.<br>DR.<br>CR.  | Acct. No<br>Balan   |
| 2004<br>Jan. 2<br>4<br>Acccumula<br>Date<br>2004  | ated Amortization, Offic<br>Explanation  | e Equipm<br>Post.<br>Ref.   | 10000<br>5000   | Credit   | CR.<br>DR.<br>DR.   | Balance   | Jan.     16     Closing       31     Adjusting       31     Closing   | GJ1<br>GJ2<br>GJ2<br>Post.<br>Ref.<br>GJ1   | 6000<br>5000   | 11000<br>Credit  | DR.<br>DR.<br>DR.<br>CR.  | Acct. No<br>Balan   |
| 2004<br>Jan. 2<br>4<br>Sccumula<br>Date<br>2004   | ated Amortization, Offic<br>Explanation  | e Equipm<br>Post.<br>Ref.   | 10000<br>5000   | Credit   | CR.<br>DR.<br>DR.   | Balance   | Jan.     16     Closing       31     Adjusting       31     Closing   | GJ1<br>GJ2<br>GJ2<br>Post.<br>Ref.<br>GJ1   | 6000<br>5000   | 11000<br>Credit  | DR.<br>DR.<br>DR.<br>CR.  | Acct. No<br>Balan   |
| 2004<br>Jan. 2<br>4<br>Sccumula<br>Date<br>2004   | ated Amortization, Offic<br>Explanation  | e Equipm<br>Post.<br>Ref.   | 10000<br>5000   | Credit   | CR.<br>DR.<br>DR.   | Balance   | Jan.     16     Closing       31     Adjusting       31     Adjusting       31     Closing         Date       2004     Explanation       Jan.     18       31     Closing   | GJ1<br>GJ2<br>GJ2<br>Post.<br>Ref.<br>GJ1   | 6000<br>5000   | 11000<br>Credit  | DR.<br>DR.<br>CR.<br>CR.<br>DR.   | 11<br>- 0<br>Acct. No<br>Balar<br>7<br>- 0  |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment                            | e Equipm<br>Post.<br>Ref.   | 10000<br>5000   | Credit   | CR.<br>DR.<br>DR.   | Balance<br>10000<br>15000<br>Acct. No. 122<br>Balance<br>2000   | Jan.       16       Closing         31       Adjusting         31       Closing         31       Closing         Date       2004         2004       Explanation         Jan.       18         31       Closing         31       Closing   | Gj1<br>Gj2<br>Gj2<br>Post.<br>Ref.<br>Gj1<br>Gj2  | 6000<br>5000   | 11000<br>Credit  | DR.<br>DR.<br>CR.<br>DR.<br>CR.   | 11<br>- 0<br>Acct. No<br>Balar<br>7<br>- 0  |
| 2004<br> an. 2<br> 4<br>  | ated Amortization, Offic<br>Explanation  | e Equipm<br>Post.<br>Ref.<br>Gj1<br>Gj1<br>Gj2  | 10000<br>5000   | Credit   | CR.<br>DR.<br>DR.<br>or<br>CR<br>CR.  | Balance   | Jan.     16     Closing       31     Adjusting       31     Closing         Advertising Expense       Date       2004     Explanation       Jan.     18       31     Closing  | G11<br>G12<br>G12<br>G12<br>Fost.<br>Ref.<br>G11<br>G12<br>G12<br>G12<br>G12<br>G12<br>G12<br>G12<br>G12<br>G12   | 6000<br>5000<br>Debit<br>7000  | Credit   | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | Acct. No  |
| 2004<br> an. 2<br>4<br>.cccurta<br>Date<br>2004<br>an. 31<br>   | ated Amortization, Office<br>Explanation<br>Adjustment<br>: Payable              | e Equipm<br>Post.<br>Ref.<br>Gj1<br>Gj1<br>Gj2  | 100000           5000   | Credit   | CR.<br>DR.<br>DR.<br>or<br>CR<br>CR.  | Balance       10000         15000       15000         Acct. No. 122       Balance         2000       1000         Acct. No. 211       1000  | Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         31     Closing         Value     Closing   | G)1<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>F<br>C)2<br>G)2<br>G)1<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>G)2<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G  | 6000<br>5000<br>Debit<br>7000<br>Debit   | 11000<br>Credit  | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | Acct. No<br>Balar<br>7<br>– 0<br>Acct. No<br>Balar  |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.<br>G]1<br>G]1<br>e Equipm<br>Post.<br>Ref.<br>G]2<br>Post.<br>Ref.   | 10000<br>5000   | Credit<br>Credit                               | CR.<br>DR.<br>DR.<br>or<br>CR<br>CR.  | Balance       10000         15000       15000         Acct. No. 122       12000         2000       12000         Acct. No. 211       12000  | Jan.     16     Closing       31     Adjusting       31     Adjusting       Closing         Date       2004     Explanation       Jan.     18       31     Closing         Rent Expense       Date       2004     Explanation   | G]1         G]2           G]2         G]2           Variation         Ref.           G]1         G]2           Variation         Ref.           G]2         Variation           Variation         Global Science           Global Science         Global Science   | 6000<br>5000<br>Debit<br>7000  | Credit   | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | 1 1<br>- 0<br>Acct. No<br>Balan<br>7<br>- 0<br>Acct. No<br>Balan<br>1 0   |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | e Equipm<br>Post.<br>Ref.<br>Gj1<br>Gj1<br>Gj2  | 100000           5000   | Credit   | CR.<br>DR.<br>DR.<br>or<br>CR<br>CR.  | Balance       10000         15000       15000         Acct. No. 122       Balance         2000       1000         Acct. No. 211       1000  | Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         31     Closing         Value     Closing   | G)1<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>F<br>C)2<br>G)2<br>G)1<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>G)2<br>G)2<br>G)2<br>F<br>C)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G)2<br>G  | 6000<br>5000<br>Debit<br>7000<br>Debit   | Credit   | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | Acct. No<br>Balar<br>7<br>-0<br>Acct. No<br>Balar   |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.<br>G]1<br>Post.<br>Ref.<br>G]2<br>Post.<br>Ref.<br>G]2<br>Sef.<br>G]1  | 100000           5000   | Credit<br>2000<br>Credit<br>5000               | CR.<br>DR.<br>DR.<br>CR<br>CR<br>CR.<br>DR<br>CR.                                     | Balance<br>10000<br>15000<br>Acct. No. 122<br>Balance<br>2000<br>Acct. No. 211<br>Balance<br>5000   | Jan.     16     Closing       31     Adjusting       31     Adjusting       Closing         Date       2004     Explanation       Jan.     18       31     Closing         Rent Expense       Date       2004     Explanation   | G]1         G]2           G]2         G]2           Variation         Ref.           G]1         G]2           Variation         Ref.           G]2         Variation           Variation         Global Science           Global Science         Global Science   | 6000<br>5000<br>Debit<br>7000<br>Debit   | Credit   | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | Acct. No<br>Balar<br>7<br>-0<br>Acct. No<br>Balar   |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.<br>G]1<br>Post.<br>Ref.<br>G]2<br>Post.<br>Ref.<br>G]2<br>Sef.<br>G]1  | 100000           5000   | Credit<br>2000<br>Credit<br>5000               | CR.<br>DR.<br>DR.<br>CR<br>CR<br>CR.<br>DR<br>CR.                                     | Balance<br>10000<br>15000<br>Acct. No. 122<br>Balance<br>2000<br>Acct. No. 211<br>Balance<br>5000   | Jan.     16     Closing       31     Adjusting       31     Adjusting       Closing         Date       2004     Explanation       Jan.     18       31     Closing         Rent Expense       Date       2004     Explanation   | G]1         G]2           G]2         G]2           Variation         Ref.           G]1         G]2           Variation         Ref.           G]2         Variation           Variation         Global Science           Global Science         Global Science   | 6000<br>5000<br>Debit<br>7000<br>Debit   | Credit   | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | Acct. No<br>Balar<br>7<br>-0<br>Acct. No<br>Balar   |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.<br>G]1<br>Post.<br>Ref.<br>G]2<br>Post.<br>Ref.<br>G]2<br>Sef.<br>G]1  | 100000           5000   | Credit<br>2000<br>Credit<br>5000               | CR.<br>DR.<br>DR.<br>CR<br>CR<br>CR.<br>DR<br>CR.                                     | Balance   | Jan.     16     Closing       31     Adjusting       31     Adjusting       Closing         Date       2004     Explanation       Jan.     18       31     Closing         Rent Expense       Date       2004     Explanation   | G]1         G]2           G]2         G]2           Variation         Ref.           G]1         G]2           Variation         Ref.           G]2         Variation           Variation         Global Science           Global Science         Global Science   | 6000<br>5000<br>Debit<br>7000<br>Debit   | Credit   | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | 1 1<br>Acct. No<br>Balar<br>7<br>-0<br>Acct. No<br>Balar<br>10<br>-0  |
| 2004<br> an. 2<br>4<br>   | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.<br>GJ1<br>For a construction<br>of the second se | 100000           5000   | Credit<br>2000<br>Credit<br>5000               | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.                           | Balance<br>10000<br>15000<br>Acct. No. 122<br>Balance<br>2000<br>Acct. No. 211<br>Balance<br>5000   | Jan.       16       Closing         31       Adjusting         31       Closing         Advertising Expense         Date       2004         2004       Explanation         Jan.       18         31       Closing         Date       2004         Explanation       31         Date       2004         Explanation       31         Date       31         Closing       31   | Gj1           Gj2           Gj2           Ref.           Gj1           Gj1           Post.           Ref.           Gj2   | 6000         5000           | 1       1       0       00   | DR.           DR.           CR.           DR.           CR.           DR.           DR. | 1 1<br>- 0<br>Acct. No<br>Balar<br>7<br>- 0<br>-<br>Acct. No<br>Balar<br>1 0<br>- 0   |
| 2004<br>Jan. 2<br>4<br>2004<br>2004<br>Jan. 31<br>2004<br>Jan. 31<br>2004<br>Jan. 4<br>18<br>2004<br>Jan. 4<br>18<br>2014<br>2014<br>2014<br>2014<br>2004   | ated Amortization, Office<br>Explanation<br>Adjustment<br>Payable<br>Explanation | Ref.           GJ1           GJ2           Post.           Ref.           GJ2           GJ1   | 1       0       0       0         5       0       00         5       0       00         ent | Credit<br>2000<br>5000<br>7000                 | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.                           | Balance       1       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       1       0       0       1       1       0       0       1       1       0       1 </td <td>Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         Rent Expense         Date       2004     Explanation       Jan.     18         Cosing         Date       2004     Explanation         Jan.     31         Coffice Supplies Expense         Date       2004     Explanation</td> <td>G]1         G]2           G]2         G]2           V         V           Ref.         G]1           GJ2         V           V         V           Post.         Ref.           GJ2         V           V<td>6000         5000         200         <td< td=""><td>Credit</td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>Acct. No<br/>Balar<br/>Acct. No<br/>Balar<br/>Acct. No<br/>Balar</td></td<></td></td>  | Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         Rent Expense         Date       2004     Explanation       Jan.     18         Cosing         Date       2004     Explanation         Jan.     31         Coffice Supplies Expense         Date       2004     Explanation   | G]1         G]2           G]2         G]2           V         V           Ref.         G]1           GJ2         V           V         V           Post.         Ref.           GJ2         V           V <td>6000         5000         200         <td< td=""><td>Credit</td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>Acct. No<br/>Balar<br/>Acct. No<br/>Balar<br/>Acct. No<br/>Balar</td></td<></td>  | 6000         5000         200 <td< td=""><td>Credit</td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>Acct. No<br/>Balar<br/>Acct. No<br/>Balar<br/>Acct. No<br/>Balar</td></td<>  | Credit   | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | Acct. No<br>Balar<br>Acct. No<br>Balar<br>Acct. No<br>Balar   |
| $\begin{array}{c c c c c c c c c c c c c c c c c c c $  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           GJ1  | 100000           5000   | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.16Closing31Adjusting31Adjusting31Closing31Closing2004ExplanationJan.1831Closing31Closing2004ExplanationJan.312004ExplanationJan.31Cosing31 <tr< td=""><td>Gj1           Gj2           Gj2           Formation           Ref.           Gj1           Gj2           Formation           Post.           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2</td><td>6000         5000         00</td><td></td><td>DR.           DR.           CR.           DR.           CR.           DR.           DR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balar<br/>- 0<br/>Acct. No<br/>Balar<br/>1 0<br/>- 0<br/>Acct. No<br/>Balar<br/>3</td></tr<>  | Gj1           Gj2           Gj2           Formation           Ref.           Gj1           Gj2           Formation           Post.           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2  | 6000         5000           |  | DR.           DR.           CR.           DR.           CR.           DR.           DR. | 1 1<br>- 0<br>Acct. No<br>Balar<br>- 0<br>Acct. No<br>Balar<br>1 0<br>- 0<br>Acct. No<br>Balar<br>3   |
| $\begin{array}{c c c c c c c } 2004\\ \hline an. & 2\\ \hline an. & 2\\ \hline an. & 31\\ \hline an. $  | ated Amortization, Office<br>Explanation<br>Adjustment<br>Payable<br>Explanation | Ref.           GJ1           GJ2           Post.           Ref.           GJ2           GJ1   | 1       0       0       0         5       0       00         5       0       00         ent | Credit<br>2000<br>5000<br>7000                 | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       5       0       0       1       1       0       0       1       1       0       0       1       1       0       1 </td <td>Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         Rent Expense         Date       2004     Explanation       Jan.     18         Cosing         Date       2004     Explanation         Jan.     31         Coffice Supplies Expense         Date       2004     Explanation</td> <td>G]1         G]2           G]2         G]2           V         V           Ref.         G]1           GJ2         V           V         V           Post.         Ref.           GJ2         V           V<td>6000         5000         200         <td< td=""><td>1       1       0       00        </td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan<br/>1 0<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan</td></td<></td></td> | Jan.     16     Closing       31     Adjusting       31     Closing       31     Closing         Advertising Expense         Date       2004     Explanation       Jan.     18         Rent Expense         Date       2004     Explanation       Jan.     18         Cosing         Date       2004     Explanation         Jan.     31         Coffice Supplies Expense         Date       2004     Explanation   | G]1         G]2           G]2         G]2           V         V           Ref.         G]1           GJ2         V           V         V           Post.         Ref.           GJ2         V           V <td>6000         5000         200         <td< td=""><td>1       1       0       00        </td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan<br/>1 0<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan</td></td<></td> | 6000         5000         200 <td< td=""><td>1       1       0       00        </td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan<br/>1 0<br/>- 0<br/>Acct. No<br/>Balan<br/>Acct. No<br/>Balan</td></td<>   | 1       1       0       00   | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | 1 1<br>- 0<br>Acct. No<br>Balan<br>Acct. No<br>Balan<br>1 0<br>- 0<br>Acct. No<br>Balan<br>Acct. No<br>Balan  |
| $\begin{array}{c c c c c c c } 2004\\ \hline an. & 2\\ \hline an. & 2\\ \hline an. & 31\\ \hline an. $  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.16Closing31Adjusting31Adjusting31Closing31Closing2004ExplanationJan.1831Closing31Closing2004ExplanationJan.312004ExplanationJan.31Cosing31 <tr< td=""><td>Gj1           Gj2           Gj2           Formation           Ref.           Gj1           Gj2           Formation           Post.           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2</td><td>6000         5000         200         <td< td=""><td></td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balar<br/>- 0<br/>Acct. No<br/>Balar<br/>1 0<br/>- 0<br/>Acct. No<br/>Balar<br/>3</td></td<></td></tr<>   | Gj1           Gj2           Gj2           Formation           Ref.           Gj1           Gj2           Formation           Post.           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2           Ref.           Gj2           Gj2           Gj2           Gj2           Gj2           Gj2  | 6000         5000         200 <td< td=""><td></td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balar<br/>- 0<br/>Acct. No<br/>Balar<br/>1 0<br/>- 0<br/>Acct. No<br/>Balar<br/>3</td></td<>  |  | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | 1 1<br>- 0<br>Acct. No<br>Balar<br>- 0<br>Acct. No<br>Balar<br>1 0<br>- 0<br>Acct. No<br>Balar<br>3   |
| $\begin{array}{c c c c c c c } 2004\\ \hline an. & 2\\ \hline an. & 2\\ \hline an. & 31\\ \hline an. $  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.16Closing31Adjusting31Adjusting31Closing31Closing2004ExplanationJan.1831Closing31Closing2004ExplanationJan.312004ExplanationJan.31Cosing31 <tr< td=""><td>G]1           G]2           G]2           Value           Ref.           G]1           G]2           Value           Post.           Ref.           G]2           Value           Value           Ref.           G]2           Value           Ref.           G]2           Value           Ref.           G]2           Value           Value</td><td>6000         5000         200         <td< td=""><td></td><td>DR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balar<br/>- 0<br/>Acct. No<br/>Balar<br/>1 0<br/>- 0<br/>Acct. No<br/>Balar<br/>3</td></td<></td></tr<>   | G]1           G]2           G]2           Value           Ref.           G]1           G]2           Value           Post.           Ref.           G]2           Value           Value           Ref.           G]2           Value           Ref.           G]2           Value           Ref.           G]2           Value           Value  | 6000         5000         200 <td< td=""><td></td><td>DR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>- 0<br/>Acct. No<br/>Balar<br/>- 0<br/>Acct. No<br/>Balar<br/>1 0<br/>- 0<br/>Acct. No<br/>Balar<br/>3</td></td<>  |  | DR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.   | 1 1<br>- 0<br>Acct. No<br>Balar<br>- 0<br>Acct. No<br>Balar<br>1 0<br>- 0<br>Acct. No<br>Balar<br>3   |
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| 2004<br>Jan. 2<br>4<br>4<br>2004<br>Jan. 31<br>31<br>31<br>4<br>31<br>8<br>2004<br>Jan. 4<br>18<br>3<br>3<br>18<br>3<br>4<br>18<br>3<br>3<br>18<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.       16       Closing         31       Adjusting         31       Closing         Advertising Expense         Date       2004         2004       Explanation         Jan.       18         31       Closing         Rent Expense       Explanation         Jan.       31         Closing       Image: Closing         Date       2004         Explanation       Image: Closing         Date       2004         Explanation       Image: Closing         Office       Supplies Expense         Date       2004         Explanation       Image: Closing         Office       Supplies Expense         Date       2004         Explanation       Image: Supplies Expense         Date       Supplies Expense         Image: Supplies Expense       Image: Supplies Expense         Image: Supplies Explanation       Image: Supplies Explanation         Image: Supplies Expense       Imag   | G]1           G]2           G]2           Ref.           G]1           G]2           G]2           G]2           G]1           G]2           G]1           G]1           G]1           G]2  | 6000         5000         5000         0         0         7000         0      <   | Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit | DR.<br>CR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.  | 1 1<br>- 0<br>Acct. No<br>Balar<br>- 0<br>Acct. No<br>Balar<br>10<br>- 0<br>Acct. No<br>Balar<br>- 0<br>Acct. No<br>Balar<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0 |
| $\begin{array}{c c c c c c c } 2004\\ \hline & 2\\ \hline \hline & 2\\ \hline $ | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.       16       Closing         31       Adjusting         31       Adjusting         Closing       Closing         Advertising Expense       Explanation         Jan.       18         31       Closing         Date       2004         Z004       Explanation         Date       2004         Z004       Explanation         Jan.       31         Adjusting       31         Closing       Closing         Date       Explanation         Jan.       31         Adjusting       31         Closing       Closing         Date       Explanation         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting <td>G]1           G]2           G]2           Ref.           G]1           G]1           G]1           G]1           G]1           G]1           G]1           G]2           G]1           G]2           G]1           G]2           G]2      G]2</td> <td>60000         5000         0         7000         0         1         0      <tr< td=""><td></td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>Acct. No<br/>Balan<br/>7<br/>-0<br/>Acct. No<br/>Balan<br/>1 0<br/>-0<br/>Acct. No<br/>Balan<br/>3<br/>-0<br/>Acct. No<br/>Balan</td></tr<></td>  | G]1           G]2           G]2           Ref.           G]1           G]1           G]1           G]1           G]1           G]1           G]1           G]2           G]1           G]2           G]1           G]2           G]2      G]2   | 60000         5000         0         7000         0         1         0 <tr< td=""><td></td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>1 1<br/>Acct. No<br/>Balan<br/>7<br/>-0<br/>Acct. No<br/>Balan<br/>1 0<br/>-0<br/>Acct. No<br/>Balan<br/>3<br/>-0<br/>Acct. No<br/>Balan</td></tr<>  |  | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | 1 1<br>Acct. No<br>Balan<br>7<br>-0<br>Acct. No<br>Balan<br>1 0<br>-0<br>Acct. No<br>Balan<br>3<br>-0<br>Acct. No<br>Balan  |
| $\begin{array}{c c c c c c c } 2004\\ \hline an. & 2\\ \hline an. & 2\\ \hline an. & 31\\ \hline an. $  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.       16       Closing         31       Adjusting         31       Adjusting         2004       Explanation         2004       Explanation         31       Closing         2004       Explanation         2004       Explanation         2004       Explanation         2004       Explanation         201       Explanation         202       Explanation         203       Statistical State         204       Explanation         205       State         2004       Explanation         31       Closing         31       Closing         31       Closing         31       Closing         31       Adjusting         31       Adjusting         31       Closing         31       Adjusting         31       Adjusting <td>G]1           G]2           G]2           Ref.           Ref.           G]1           G]2           G]1           G]2           G]1           G]2           G]1           G]2           G]1           G]2           G]2</td> <td>6000         5000         5000         0         0         7000         0      &lt;</td> <td></td> <td>DR.<br/>CR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.</td> <td>Acct. No<br/>Balan<br/>Acct. No<br/>Balan<br/>10<br/>-0<br/>Acct. No<br/>Balan<br/>-0<br/>Acct. No<br/>Balan<br/>2<br/>Acct. No</td>   | G]1           G]2           G]2           Ref.           Ref.           G]1           G]2           G]1           G]2           G]1           G]2           G]1           G]2           G]1           G]2   | 6000         5000         5000         0         0         7000         0      <   |  | DR.<br>CR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.  | Acct. No<br>Balan<br>Acct. No<br>Balan<br>10<br>-0<br>Acct. No<br>Balan<br>-0<br>Acct. No<br>Balan<br>2<br>Acct. No   |
| 2004<br>Jan. 2<br>4<br>4<br>2004<br>Jan. 31<br>31<br>31<br>4<br>31<br>8<br>2004<br>Jan. 4<br>18<br>3<br>3<br>18<br>3<br>4<br>18<br>3<br>3<br>18<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3<br>3  | ated Amortization, Offic<br>Explanation<br>Adjustment<br>Payable<br>Explanation  | Ref.           G]1  | 1       0       0       0         5       0       00         5       0       00         ent | Credit  Credit  Credit  Credit  Credit  Credit | CR.<br>DR.<br>DR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>CR.<br>C | Balance       1       0       0       0         1       5       0       0       0         Acct.       No.       122       122         Balance       2       0       0       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Acct.       No.       211       122       122         Balance       4       4       4       4         Balance       4       4       4       4   | Jan.       16       Closing         31       Adjusting         31       Adjusting         Closing       Closing         Advertising Expense       Explanation         Jan.       18         31       Closing         Date       2004         Z004       Explanation         Date       2004         Z004       Explanation         Jan.       31         Adjusting       31         Closing       Closing         Date       Explanation         Jan.       31         Adjusting       31         Closing       Closing         Date       Explanation         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Jan.       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting       31         Adjusting <td>G]1           G]2           G]2           Ref.           G]1           G]1           G]1           G]1           G]1           G]1           G]1           G]2           G]1           G]2           G]1           G]2           G]2      G]2</td> <td>60000         5000         0         7000         0         1         0      <tr< td=""><td>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit</td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>6<br/>1 1<br/>- 0<br/>Acct. Nc<br/>Balan<br/>10<br/>- 0<br/>Acct. Nc<br/>Balan<br/>3<br/>- 0<br/>Acct. Nc<br/>Balan<br/>3<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0</td></tr<></td> | G]1           G]2           G]2           Ref.           G]1           G]1           G]1           G]1           G]1           G]1           G]1           G]2           G]1           G]2           G]1           G]2           G]2      G]2   | 60000         5000         0         7000         0         1         0 <tr< td=""><td>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit<br/>Credit</td><td>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.<br/>DR.<br/>CR.</td><td>6<br/>1 1<br/>- 0<br/>Acct. Nc<br/>Balan<br/>10<br/>- 0<br/>Acct. Nc<br/>Balan<br/>3<br/>- 0<br/>Acct. Nc<br/>Balan<br/>3<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0<br/>- 0</td></tr<> | Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit<br>Credit | DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.<br>DR.<br>CR.  | 6<br>1 1<br>- 0<br>Acct. Nc<br>Balan<br>10<br>- 0<br>Acct. Nc<br>Balan<br>3<br>- 0<br>Acct. Nc<br>Balan<br>3<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0<br>- 0              |

## These are all permanent accounts.

#### ROLO CO. POST-CLOSING TRIAL BALANCE JANUARY 31, 2004

| j/i/te/iii/ 2001                           |     |   |   |   |    |     |   |   |   |    |  |
|--|-----|---|---|---|----|-----|---|---|---|----|--|
|  | Dr. |   |   |   |    | Cr. |   |   |   |    |  |
| Cash                                       | 1   | 1 | 8 | 0 | 00 |     |   |   |   |    |  |
| Accounts Receivable                        |     | 1 | 0 | 0 | 00 |     |   |   |   |    |  |
| Prepaid Rent                               |     | 2 | 0 | 0 | 00 |     |   |   |   |    |  |
| Office Supplies                            |     |   |   | 6 | 00 |     |   |   |   |    |  |
| Office Equipment                           |     | 1 | 5 | 0 | 00 |     |   |   |   |    |  |
| Accumulated Amortization, Office Equipment |     |   |   |   |    |     |   | 2 | 0 | 00 |  |
| Accounts Payable                           |     |   |   |   |    |     | 1 | 2 | 0 | 00 |  |
| Salaries Payable                           |     |   |   |   |    |     |   | 5 | 0 | 00 |  |
| R. Kern, Capital                           |     |   |   |   |    | 1   | 4 | 4 | 6 | 00 |  |
| Total                                      | 1   | 6 | 3 | 6 | 00 | 1   | 6 | 3 | 6 | 00 |  |
|  |     |   |   |   |    |     |   | F | F |    |  |

### Solution Tips for the Post-Closing Trial Balance

The post-closing trial balance is a list of the ledger *after* adjusting and closing entries have been completed. Note the figure for capital \$1,446 is the new figure.

| Beginning Capital | \$1,300 |
|-------------------|---------|
| + Net Income      | 166     |
| – Withdrawals     | 20      |
| = Ending Capital  | \$1,446 |

Next accounting period we will enter new amounts in the Revenues, Expenses, and Withdrawals accounts. For now, the post-closing trial balance is made up only of permanent accounts.

## SUMMARY OF KEY POINTS

## Learning Unit 5-1

- **1.** After formal financial reports have been prepared, the ledger has still not been brought up to date.
- **2.** Information for journalizing adjusting entries comes from the adjustments section of the worksheet.

## Learning Unit 5-2

- **1.** Closing is a mechanical process that is completed before the accountant can record transactions for the next fiscal year.
- **2.** Assets, Liabilities, and Capital are permanent (real) accounts; their balances are carried over from one fiscal year to another. Withdrawals, Revenue, and Expenses are nominal (temporary) accounts; their balances are *not* carried over from one fiscal year to another.
- **3.** Income Summary is a temporary account in the general ledger and does not have a normal balance. It will summarize revenue and expenses and transfer the balance to capital. Withdrawals do not go into Income Summary because they are *not* business expenses.
- 4. All information for closing can be obtained from the worksheet.

- **5.** When closing is complete, all temporary accounts in the ledger will have a zero balance, and all this information will be updated in the Capital account.
- **6.** Closing entries are usually done only at year-end. Interim reports can be prepared from worksheets that are prepared monthly, quarterly, etc.

#### Learning Unit 5-3

- **1.** The post-closing trial balance is prepared from the ledger accounts after the adjusting and closing entries have been posted.
- **2.** The accounts on the post-closing trial balance are all permanent accounts.

### **K**EY TERMS

**Adjusting journal entries** Journal entries that are needed in order to update specific ledger accounts to reflect correct balances at the end of an accounting period (p. 170)

**Closing** The process of bringing the balances of all revenue, expense, and withdrawal accounts to zero, ready for a new fiscal year (p. 174)

**Closing journal entries** Journal entries that are prepared to (a) reduce or clear all temporary accounts to a zero balance or (b) update capital to a new closing balance (p. 174)

**Income Summary** A temporary account in the ledger that summarizes revenue and expenses and transfers its balance (net income or net loss) to capital. It does not have a normal balance. (p. 175)

**Nominal accounts** See **Temporary accounts** (p. 174)

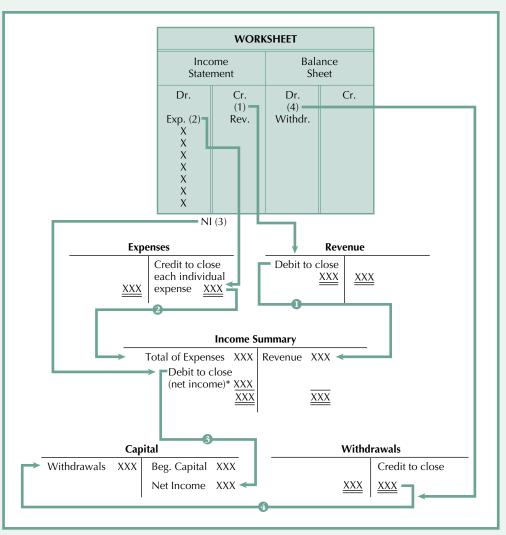
**Permanent accounts** Accounts whose balances are carried over to the next fiscal year; examples: assets, liabilities, capital (p. 174)

**Post-closing trial balance** The final step in the accounting cycle that lists only permanent accounts in the ledger and their balances after adjusting and closing entries have been posted (p. 184)

**Real accounts** See **Permanent accounts** (p. 174)

**Temporary accounts** Accounts whose balances at the end of a fiscal year are not carried over to the next fiscal year. These accounts—Revenue, Expenses, Withdrawals—help to provide a new or ending figure for capital to begin the next fiscal year. Keep in mind that Income Summary is also a temporary account. (p. 174)

### **B**LUEPRINT OF THE CLOSING PROCESS FROM THE WORKSHEET



\*If a net loss, it would require a credit to close.

#### The Closing Steps

- **1.** Close revenue balances to Income Summary.
- **2.** Close each *individual* expense and transfer the *total* of all expenses to Income Summary.
- **3.** Transfer the balance in Income Summary (Net Income or Net Loss) to Capital.
- 4. Close Withdrawals to Capital.

#### QUESTIONS, MINI EXERCISES, EXERCISES, AND PROBLEMS

#### **Discussion Questions**

- **1.** When a worksheet is completed, what balances are found in the general ledger?
- **2.** Why must adjusting entries be journalized even though the formal reports have already been prepared?
- **3.** "Closing slows down the recording of next year's transactions." Defend or reject this statement with supporting evidence.
- 4. What is the difference between temporary and permanent accounts?

- 5. What are the two major goals of the closing process?
- 6. List the four steps in closing.
- 7. What is the purpose of Income Summary and where is it located?
- 8. How can a worksheet aid the closing process?
- 9. What accounts are usually listed on a post-closing trial balance?
- 10. Closing entries are always prepared once a month. Agree or disagree. Why?

#### **Mini Exercises**

(The blank forms you need are on pages 5-11 and 5-12 of the *Study Guide with Working Papers.*)

#### **Journalizing and Posting Adjusting Entries**

**1.** Post the following adjusting entries (be sure to cross-reference back to the journal) that came from the Adjustment columns of the worksheet.

|      |    | General Journal                       |  |   |     |    |    | Page | 3 |
|------|----|---------------------------------------|--|---|-----|----|----|------|---|
| Dat  | te | Account Titles and Description        | PR   | E | Dr. |    | Cr | •    |   |
| Dec. | 31 | Insurance Expense                     |  |   | 6   | 00 |    |      |   |
|      |    | Prepaid Insurance                     |  |   |     |    |    | 600  |   |
|      |    | Insurance expired                     |  |   |     |    |    |      |   |
|      |    |                                       |  |   |     |    |    |      |   |
|      | 31 | Supplies Expense                      |  |   | 3   | 00 |    |      |   |
|      |    | Store Supplies                        |  |   |     |    |    | 3 00 |   |
|      |    | Supplies used                         |  |   |     |    |    |      |   |
|      |    |                                       |  |   |     |    |    |      |   |
|      | 31 | Amortization Expense, Store Equipment |  |   | 7   | 00 |    |      |   |
|      |    | Accum. Amortization, Store Equipment  | PR       Dr.       Cr.       Image: constraint of the system of the sy |   |     |    |    |      |   |
|      |    | Estimated amortization                |  |   |     |    |    |      |   |
|      |    |                                       |  |   |     |    |    |      |   |
|      | 31 | Salaries Expense                      |  |   | 4   | 00 |    |      |   |
|      |    | Salaries Payable                      |  |   |     |    |    | 400  |   |
|      |    | Accrued salaries                      |  |   |     |    |    |      |   |
|      |    |                                       |  |   |     |    |    |      |   |

#### LEDGER ACCOUNTS BEFORE ADJUSTING ENTRIES POSTED

Prepaid Insurance 115

10

Store Supplies 116

15

Accumulated Amortization, Store Equipment 119
12

Salaries Payable 210

Insurance Expense 510

Amortization Expense, Store Equipment 512

Supplies Expense 514

Salaries Expense 516

7

#### **Closing Steps and Journalizing Closing Entries**

|  | Worksh             | neet               |            |
|--|--------------------|--------------------|------------|
| IS   |                    | BS                 |            |
| Dr.<br>(2)<br>E<br>X<br>P<br>E<br>N<br>S<br>E<br>S | Cr.<br>Revenue (1) | Dr.<br>Withdrawals | Cr.<br>(4) |
| NI (3)   |                    |                    |            |

#### **Goals of Closing**

2.

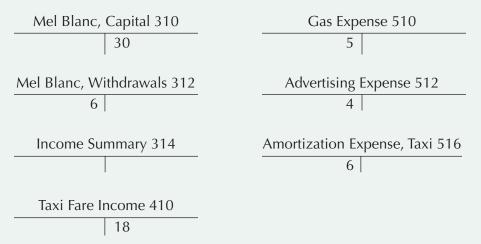
- 1. Temporary accounts in the ledger should have a zero balance.
- **2.** New figure for capital is determined in closing.

*Note:* All closing can be done from the worksheet. Income Summary is a temporary account in the ledger.

From the above worksheet explain the four steps of closing. Keep in mind that each *individual* expense normally would be listed in the closing process.

#### **Journalizing Closing Entries**

**3.** From the following accounts, journalize the closing entries (assume that December 31 is the closing date).



#### **Posting to Income Summary**

**4.** Draw a T account of Income Summary and post to it all entries from question 3 that affect it. Is Income Summary a temporary or permanent account?

#### **Posting to Capital**

**5.** Draw a T account for Mel Blanc, Capital, and post to it all entries from question 3 that affect it. What is the final balance of the capital account?

### Exercises

(The blank forms you need are on pages 5-13 and 5-14 of the *Study Guide with Working Papers.*)

**5-1.** From the adjustments section of a worksheet presented here, prepare adjusting journal entries for the end of December.

#### Journalizing adjusting entries

|                                     | Adj           | Adjustments  |  |  |  |  |
|-------------------------------------|---------------|--------------|--|--|--|--|
|                                     | Dr.           | Cr.          |  |  |  |  |
|                                     |               |              |  |  |  |  |
|                                     |               |              |  |  |  |  |
| Prepaid Insurance                   |               | (A) 9 0 0 00 |  |  |  |  |
| Office Supplies                     |               | (B) 1 0 0 00 |  |  |  |  |
| Accumulated Amortization, Equipment |               | (C) 4 0 0 00 |  |  |  |  |
| Salaries Payable                    |               | (D) 1 0 0 00 |  |  |  |  |
|                                     |               |              |  |  |  |  |
|                                     |               |              |  |  |  |  |
| Insurance Expense                   | (A) 9 0 0 00  |              |  |  |  |  |
| Office Supplies Expense             | (B) 1 0 0 0 0 |              |  |  |  |  |
| Amortization Expense, Equipment     | (C) 4 0 0 00  |              |  |  |  |  |
| Salaries Expense                    | (D) 1 0 0 00  |              |  |  |  |  |
|                                     | 140000        | 140000       |  |  |  |  |
|                                     |               |              |  |  |  |  |

Temporary versus permanent accounts

5-2. Complete this table by placing an X in the correct column for each item.

Will Be

|                  |   | Temporary       | Permanent         | Closed       |
|------------------|---|-----------------|-------------------|--------------|
|                  | Example: Accounts Receivable                      |                 | Х                 |              |
|                  | 1. Income Summary                                 |                 |                   |              |
|                  | 2. Melissa Bryant, Capital                        |                 |                   |              |
|                  | 3. Salary Expense                                 |                 |                   |              |
|                  | 4. Melissa Bryant, Withdrawals                    | 3               |                   |              |
|                  | 5. Fees Earned                                    |                 |                   |              |
|                  | 6. Accounts Payable                               |                 |                   |              |
|                  | 7. Cash   |                 |                   |              |
| sing entries 5-3 | From the following T accour<br>December 31, 2003. | nts, journalize | the four closing  | g entries on |
|                  | J. King, Capital                                  | R               | ent Expense       |              |
|                  | 14,000  | 5,              | 000               |              |
|                  | J. King, Withdrawals                              | Wa              | ages Expense      |              |
|                  | 4,000   | 7,              | 000               |              |
|                  | Income Summary                                    | Insu            | rance Expense     |              |
|                  |   | 1,              | 200               |              |
|                  | Fees Earned                                       | Amortization Ex | xpense, Office Ed | quipment     |
|                  | 33,000  |                 | 900               |              |

Clos

| Reconstructing closing entries | <b>5-4.</b> From the following p for December 31, 200 |                | reconstruct the closing jou  | rnal entries  |  |  |  |
|--------------------------------|---|----------------|--|---------------|--|--|--|
|                                | M. Foster, C  | Capital        | Insurance Exper  | ise           |  |  |  |
|                                | Withdrawals 100 2                                     | ,000 (Dec. 1)  | 50 Closir  | ng 50         |  |  |  |
|                                |   | 700 Net Income |  |               |  |  |  |
|                                | M. Foster, Wit  | hdrawals       | Wages Expense  | е             |  |  |  |
|                                | <u>100</u> C  | Closing 100    | 100 Closin   | ng <u>100</u> |  |  |  |
|                                | Income Sur  | nmary          | Rent Expense   |               |  |  |  |
|                                | Expenses 600 R  | evenue 1,300   | 200 Closin   | ng 200        |  |  |  |
|                                | 700   |                |  |               |  |  |  |
|                                | Salon Fe  | ees            | Amortization Expense, I  | Equipment     |  |  |  |
|                                | Closing 1,300 1                                       | ,300           | 250 Closin   | ng <u>250</u> |  |  |  |
| Post-closing trial balance     |   |                | er), prepare a post-closing t<br>p <b>te:</b> These balances are <i>befo</i> |               |  |  |  |
|                                | Accounts Receivable                                   | 18,875         | P. Wey, Capital  | 63,450        |  |  |  |
|                                | Legal Library   | 14,250         | P. Wey, Withdrawals  | 1,500         |  |  |  |
|                                | Office Equipment                                      | 59,700         | Legal Fees Earned  | \$12,000      |  |  |  |
|                                | Repair Expense  | 2,850          | Accounts Payable   | 45,000        |  |  |  |
|                                | Salaries Expense                                      | 1,275          | Cash   | 22,000        |  |  |  |

## **Group A Problems**

(The blank forms you need are on pages 5-15 to 5-30 of the Study Guide with Working Papers.)

**5A-1.** The following data are given for Lou's Consulting Service of Vernon:

| preparing a worksheet<br>lizing adjusting and<br>tries | LOU'S CONSULTING<br>TRIAL BALANG<br>JUNE 30, 200 | CE      |         |
|--|--|---------|---------|
| ire  |  | Dr.     | Cr.     |
| e \$4,780  | Cash   | 2000000 |         |
|  | Accounts Receivable                              | 650000  |         |
|  | Prepaid Insurance                                | 40000   |         |
|  | Supplies   | 150000  |         |
|  | Equipment  | 30000   |         |
|  | Accumulated Amortization, Equipment              |         | 190000  |
|  | Accounts Payable                                 |         | 1100000 |
|  | Lou Dobbs, Capital                               |         | 1280000 |
|  | Lou Dobbs, Withdrawals                           | 30000   |         |
|  | Consulting Fees Earned                           |         | 900000  |
|  | Salaries Expense                                 | 140000  |         |
|  | Telephone Expense                                | 10000   |         |
|  | Advertising Expense                              | 60000   |         |
|  |  | 3470000 | 3470000 |
|  |  |         |         |

**Review of p** and journal closing entr

**Check Figu** Net Income

|   | Adjustment Data  |
|---|--|
|   | a. Insurance expired, \$300  |
|   | <b>b.</b> Supplies on hand, \$700  |
|   | c. Amortization on equipment, \$100  |
|   | d. Salaries earned by employees but not to be paid until July, \$200   |
|   | Required   |
|   | 1. Prepare a worksheet.  |
|   | <b>2.</b> Journalize adjusting and closing entries.  |
| Journalizing and posting<br>adjusting and closing entries, and<br>preparing a post-closing trial<br>balance | <b>5A-2.</b> Enter the beginning balance in each account in your working papers from the trial balance columns of the worksheet on page 203. Then (1) journalize and post adjusting and closing entries and (2) prepare from the ledger a post-closing trial balance for the month of March. |
| Check Figure  | <b>5A-3.</b> As the bookkeeper of Pete's Plowing of Fredericton, you have been asked to  |
| Post-Closing Trial Balance \$3,504  | complete the entire accounting cycle for Pete from the following information:  |
|   | 2003   |
| Comprehensive review of the   | Jan. 1 Pete invested \$7,000 cash and \$6,000 worth of snow equipment in the   |
| entire accounting cycle,  | plowing company.   |
| Chapters 1–5  | 1 Paid rent in advance for garage space, \$2,000.  |
|   | <ul> <li>4 Purchased office equipment on account from Ling Corp., \$7,200.</li> <li>6 Purchased snow supplies for \$700 cash.</li> </ul>   |
|   | 8 Collected \$15,000 from plowing local shopping centres.  |
| Check Figure  | 12 Pete Mack withdrew \$1,000 from the business for personal use.  |
| Net Income \$15, 780  | 20 Plowed North East Co. parking lots, payment not to be received until March, \$5,000.  |
|   | 26 Paid salaries to employees, \$1,800.  |
|   | 28 Paid Ling Corp. one-half amount owed for office equipment.  |
|   | 29 Advertising bill was received from Bush Co. but will not be paid until March, \$900.  |
|   | 30 Paid telephone bill, \$210.   |
|   | Adjustment Data  |
|   | a. Snow supplies on hand, \$400  |
|   | <b>b.</b> Rent expired, \$600  |
|   | <b>c.</b> Amortization on office equipment, \$120 $(\$7,200 \div 5 \text{ yr.} \rightarrow \$1,440/12 \text{ mo.} = \$120)$  |
|   | d. Amortization on snow equipment, \$100   |
|   | $(\$6,000 \div 5 \text{ yr.} \rightarrow \$1,200/12 \text{ mo.} = \$100)$<br>e. Accrued salaries, \$190  |
|   | e. Accrued salaries, \$190   |
|   |  |
|   |  |
|   |  |
|   |  |
|   |  |
|   |  |
|   |  |
|   |  |

|                                | Balance Sheet          | Cr.            |       |                   |                   |        | 101000                   | 22400            | 54000              |                        |               |                  |                   |                     |             |        |                   |                           |                            | 16000            | 193400 | 203000     | 396400 |  |  |
|--------------------------------|------------------------|----------------|-------|-------------------|-------------------|--------|--------------------------|------------------|--------------------|------------------------|---------------|------------------|-------------------|---------------------|-------------|--------|-------------------|---------------------------|----------------------------|------------------|--------|------------|--------|--|--|
|                                | Balanc                 | Dr.            | 40000 | 34000             | 4400              | 272000 |                          |                  |                    | 46000                  |               |                  |                   |                     |             |        |                   |                           |                            |                  | 396400 |            | 396400 |  |  |
|                                | Income Statement       | Cr.            |       |                   |                   |        |                          |                  |                    |                        | 468000        |                  |                   |                     |             |        |                   |                           |                            |                  | 468000 |            | 468000 |  |  |
|                                | Income S               | Dr.            |       |                   |                   |        |                          |                  |                    |                        |               | 160000           | 26400             | 19600               | 16000       |        | 18000             | 1 0 0 00                  | 1 5 0 00                   |                  | 265000 | 203000     | 468000 |  |  |
| 04                             | Adjusted Trial Balance | Cr.            |       |                   |                   |        | 101000                   | 2 2 4 00         | 54000              |                        | 468000        |                  |                   |                     |             |        |                   |                           |                            | 16000            | 661400 |            |        |  |  |
| AARCH 31, 200                  | Adjusted Tr            | Dr.            | 40000 | 34000             | 4400              | 272000 |                          |                  |                    | 46000                  |               | 160000           | 26400             | 19600               | 16000       |        | 18000             | 10000                     | 15000                      |                  | 661400 |            |        |  |  |
| FOR MONTH ENDED MARCH 31, 2004 | Adjustments            | Cr.            |       | (A) 18000         | (B) 1 0 0 0 0     |        | (C) 15000                |                  |                    |                        |               |                  |                   |                     |             |        |                   |                           |                            | (D) 16000        | 59000  |            |        |  |  |
| FOR MC                         | Adjust                 | Dr.            |       |                   |                   |        |                          |                  |                    |                        |               | (D) 1 6 0 0 0    |                   |                     |             |        | (A) 1 8 0 00      | (B) 1 0 0 0 0             | (C) 1 5 0 00               |                  | 59000  |            |        |  |  |
|                                | ulance                 | Cr.            |       |                   |                   |        | 86000                    | 2 2 4 00         | 54000              |                        | 468000        |                  |                   |                     |             | 63040  |                   |                           |                            |                  |        |            |        |  |  |
|                                | Trial Balance          | Dr.            | 40000 | 5 2 0 0 0         | 14400             | 272000 |                          |                  |                    | 46000                  |               | 144000           | 26400             | 19600               | 16000       | 630400 |                   |                           |                            |                  |        |            |        |  |  |
|                                |                        | Account Titles | Cash  | Prepaid Insurance | Cleaning Supplies | Auto   | Accum. Amortization Auto | Accounts Payable | B. Potter, Capital | B. Potter, Withdrawals | Cleaning Fees | Salaries Expense | Telephone Expense | Advertising Expense | Gas Expense |        | Insurance Expense | Cleaning Supplies Expense | Amortization Expense, Auto | Salaries Payable |        | Net Income |        |  |  |

#### **Chart of Accounts**

#### Assets

#### 111 Cash

- 112 Accounts Receivable
- 114 Prepaid Rent
- 115 Snow Supplies
- 121 Office Equipment
- 122 Accumulated Amortization, Office Equipment
- 123 Snow Equipment
- 124 Accumulated Amortization, Snow Equipment

#### Liabilities

- 211 Accounts Payable
- 212 Salaries Payable

#### **Owner's Equity**

- 311 Pete Mack, Capital
- 312 Pete Mack, Withdrawals
- 313 Income Summary

#### Revenue

411 Plowing Fees

#### Expenses

- 511 Salaries Expense
- 512 Advertising Expense
- 513 Telephone Expense
- 514 Rent Expense
- 515 Snow Supplies Expense
- 516 Amortization Expense, Office Equipment
- 517 Amortization Expense, Snow Equipment

#### **Group B Problems**

(The blank forms you need are on pages 5-15 to 5-30 of the *Study Guide with Working Papers.*)

#### 5B-1.

Review of preparing a worksheet, and journalizing and closing entries To: Ron Ear

FROM: Sue French

RE: Accounting Needs

Please prepare ASAP from the following information (attached) (1) a worksheet along with (2) journalized adjusting and closing entries.

| LOU'S CONSULT<br>TRIAL BAL<br>JUNE 30, | ANCE  |          |    |
|--|-------|----------|----|
|  | Dr.   | Cr.      |    |
| Cash                                   | 10150 | 00       |    |
| Accounts Receivable                    | 5000  | 00       |    |
| Prepaid Insurance                      | 700   | 00       |    |
| Supplies                               | 300   | 00       |    |
| Equipment                              | 12950 | 00       |    |
| Accumulated Amortization, Equipment    |       | 4000     | 00 |
| Accounts Payable                       |       | 5750     | 00 |
| Lou Dobbs, Capital                     |       | 15150    | 00 |
| Lou Dobbs, Withdrawals                 | 400   | 00       |    |
| Consulting Fees Earned                 |       | 5200     | 00 |
| Salaries Expense                       | 450   | 00       |    |
| Telephone Expense                      | 70    | 00       |    |
| Advertising Expense                    | 80    | 00       |    |
|  | 30100 | 00 30100 | 00 |

Check Figure Net Income \$3,530

|  | Adjustment Data  |
|--|--|
|  | <ul> <li>a. Insurance expired, \$100</li> <li>b. Supplies on hand, \$20</li> <li>c. Amortization on equipment, \$200</li> <li>d. Salaries earned by employees but not due to be paid until July, \$490</li> </ul>  |
| Journalizing and posting<br>adjusting and closing entries, and<br>preparing a post-closing trial<br>balance                        | <b>5B-2.</b> Enter the beginning balance in each account in your working papers from the trial balance columns of the worksheet on page 206. Then (1) journalize and post adjusting and closing entries and (2) prepare from the ledger a post-closing trial balance for the end of March.   |
| <i>Check Figure</i><br>Post-Closing Trial Balance \$3,294  | <b>5B-3.</b> From the following transactions as well as additional data, complete the entire accounting cycle for Pete's Plowing of Fredericton (use the chart of accounts on page 204).   |
| Comprehensive review of entire<br>accounting cycle, Chapters 1–5<br><i>Check Figure</i><br>Net Income \$9,610                      | <ul> <li>2003</li> <li>Jan. 1 To open the business, Pete invested \$8,000 cash and \$9,600 worth of snow equipment.</li> <li>1 Paid rent for five months in advance, \$3,000.</li> <li>4 Purchased office equipment on account from Russell Co., \$6,000.</li> <li>6 Bought snow supplies, \$350.</li> <li>8 Collected \$7,000 for plowing during winter storm emergency.</li> <li>12 Pete paid his home telephone bill using a company cheque, \$70.</li> <li>20 Billed Eastern Freight Co. for plowing fees earned but not to be received until March, \$6,500.</li> <li>24 Advertising bill was received from Jones Co. but will not be paid until next month, \$350.</li> <li>26 Paid salaries to employees, \$1,800.</li> <li>28 Paid Russell Co. one-half of amount owed for office equipment.</li> <li>29 Paid telephone bill of company, \$165.</li> </ul> Adjustment Data <ul> <li>a. Snow supplies on hand, \$200</li> </ul> |
|  | b. Rent expired, \$600<br>c. Amortization on office equipment ( $(0,000 \div 4 \text{ yr.} \rightarrow (1,500 \div 12) = (125), (125) \text{ d.}$<br>d. Amortization on snow equipment ( $(0,000 \div 2 \text{ yr.} \rightarrow (1,500 \div 12) = (125), (125) \text{ d.}$<br>e. Salaries accrued, \$300<br>Group C Problems<br>(The forms you need are on pages 5-31 to 5-47 of the <i>Study Guide with Working Papers.</i> )<br>5C-1.  |
| Review of preparing a worksheet,<br>and journalizing adjusting and<br>closing entries<br><i>Check Figure</i><br>Net Income \$4,081 | <ul> <li>To: Max Vleeming</li> <li>FROM: Grace Friesen</li> <li>RE: Accounting Procedures</li> <li>Please prepare from the following information (attached) (1) a worksheet along with (2) journalized adjusting and closing entries for the year ending May 31, 2005.</li> </ul>  |

|                                | Trial Balance | lance  | Adjus         | Adjustments   | Adjusted Trial Balance | ial Balance | Income : | Income Statement | Balanc | Balance Sheet |
|--------------------------------|---------------|--------|---------------|---------------|------------------------|-------------|----------|------------------|--------|---------------|
| Account Titles                 | Dr.           | Cr.    | Dr.           | Cr.           | Dr.                    | Cr.         | Dr.      | Cr.              | Dr.    | Cr.           |
|                                | 172400        |        |               |               | 172400                 |             |          |                  | 172400 |               |
| Prepaid Insurance              | 35000         |        |               | (A) 2 0 0 0 0 | 15000                  |             |          |                  | 15000  |               |
| Cleaning Supplies              | 80000         |        |               | (B) 6 0 0 0 0 | 20000                  |             |          |                  | 20000  |               |
|                                | 122000        |        |               |               | 122000                 |             |          |                  | 122000 |               |
| Accumulated Amortization, Auto |               | 66000  |               | (C) 1 5 0 0 0 |                        | 8 1 0 0 0   |          |                  |        | 81000         |
| Accounts Payable               |               | 67400  |               |               |                        | 67400       |          |                  |        | 67400         |
| B. Potter, Capital             |               | 248000 |               |               |                        | 248000      |          |                  |        | 248000        |
| B. Potter, Withdrawals         | 60000         |        |               |               | 60000                  |             |          |                  | 60000  |               |
| Cleaning Fees                  |               | 370000 |               |               |                        | 370000      |          | 370000           |        |               |
| Salaries Expense               | 200000        |        | (D) 17500     |               | 2 1 7 5 0 0            |             | 217500   |                  |        |               |
| Telephone Expense              | 28400         |        |               |               | 28400                  |             | 28400    |                  |        |               |
| Advertising Expense            | 27600         |        |               |               | 27600                  |             | 27600    |                  |        |               |
| Gas Expense                    | 26000         |        |               |               | 26000                  |             | 26000    |                  |        |               |
|                                | 751400        | 751400 |               |               |                        |             |          |                  |        |               |
| Insurance Expense              |               |        | (A) 2 0 0 0 0 |               | 20000                  |             | 20000    |                  |        |               |
| Cleaning Supplies Expense      |               |        | (B) 6 0 0 0 0 |               | 60000                  |             | 60000    |                  |        |               |
| Amortization Expense, Auto     |               |        | (C) 1 5 0 00  |               | 15000                  |             | 15000    |                  |        |               |
| Salaries Payable               |               |        |               | (D) 17500     |                        | 17500       |          |                  |        | 17500         |
|                                |               |        | 1 1 2 5 0 0   | 112500        | 783900                 | 783900      | 394500   | 370000           | 389400 | 413900        |
| Net Loss                       |               |        |               |               |                        |             |          | 24500            | 24500  |               |
|                                |               |        |               |               |                        |             | 394500   | 394500           | 413900 | 413900        |
|                                |               |        |               |               |                        |             |          |                  |        |               |
|                                |               |        |               |               |                        |             |          |                  |        |               |
|                                |               |        |               |               |                        |             |          |                  |        |               |

### Adjustment Data

- **a.** Insurance expired, \$298
- **b.** Supplies on hand, \$782
- **c.** Amortization on storage equipment is based on the straight-line method, eight-year life, and a residual value of \$2,000
- **d.** Amortization on building is also straight-line, 25-year life, and a residual value of \$20,000
- e. Wages earned by employees but not due to be paid until June amounted to 42 hours at \$18/hour plus 27 hours at \$24/hour.

| GRACE STORAGE COMPAN<br>TRIAL BALANCE<br>MAY 31, 2005 | Y   |     |    |     |    |    |   |    |    |     |    |
|---|-----|-----|----|-----|----|----|---|----|----|-----|----|
|   |     | C   | )e | bit | t  |    | ( | Cr | ec | dit |    |
| Cash in Bank  | 3   | 6   | 6  | 0   | 00 |    |   | Τ  | Τ  |     |    |
| Prepaid Insurance                                     |     | 6   | 8  | 1   | 00 |    |   |    |    |     |    |
| Storage Supplies                                      | 1   | . 7 | 4  | 2   | 00 |    |   |    |    |     |    |
| Storage Equipment                                     | 9   | 7   | 4  | 0   | 00 |    |   |    |    |     |    |
| Accumulated Amortization, Storage Equipment           |     |     |    |     |    |    | 4 | 2  | 1  | 8   | 00 |
| Building  | 58  | 8 0 | 0  | 0   | 00 |    |   |    |    |     |    |
| Accumulated Amortization, Building                    |     |     |    |     |    | 2  | 1 | 4  | 7  | 0   | 00 |
| Accounts Payable                                      |     | Γ   |    |     |    |    | 2 | 8  | 6  | 0   | 00 |
| Grace Friesen, Capital                                |     |     |    |     |    | 4  | 1 | 3  | 3  | 5   | 00 |
| Grace Friesen, Withdrawals                            | 15  | 7   | 4  | 2   | 00 |    |   |    |    |     |    |
| Storage Fees Revenue                                  |     |     |    |     |    | 4  | 9 | 7  | 2  | 0   | 00 |
| Wages Expense   | 28  | 3 2 | 4  | 0   | 00 |    |   |    |    |     |    |
| Utilities Expense                                     |     | 9   | 2  | 6   | 00 |    |   |    |    |     |    |
| Advertising Expense                                   |     | 8   | 7  | 2   | 00 |    |   |    |    |     |    |
| Totals  | 119 | 6   | 0  | 3   | 00 | 11 | 9 | 6  | 0  | 3   | 00 |
|   |     |     |    |     |    |    |   |    |    |     |    |

Journalizing and posting adjusting and closing entries, and preparing a post-closing trial balance

**Check Figure** 

Post-Closing Trial Balance \$29,505.71

- **5C-2.** Refer to the worksheet for Olson Computer Repair Service of Brandon on page 208. The balances (from the trial balance column) in each account are already entered in your working papers. (1) Journalize and post adjusting and closing entries to each account in the ledger, and (2) prepare from the ledger a post-closing trial balance at the end of November.
- **5C-3.** From the following transactions as well as additional data, please complete the entire accounting cycle for Martin's Plumbing of Saskatoon (use a chart of accounts similar to the one on page 204).

# 2004

- May 1 To open the business, Martin Atherton invested \$10,000 cash and \$5,400 worth of plumbing equipment.
  - 1 Paid rent for four months in advance, \$2,400.
  - 4 Purchased office equipment on account from MacKenzie Co., \$4,100.
  - 6 Bought plumbing supplies, \$870.
  - 8 Collected \$3,600 for plumbing services provided.
  - 9 Martin paid his home utility bill with a company cheque, \$122.
  - 10 Billed Western Construction Co. for plumbing fees earned but not to be received until later, \$9,600.
  - 14 Advertising bill was received from ABCD Radio Co. but is not to be paid until next month, \$420.
  - 21 Received cheque from Western Construction Co. in partial payment of transaction dated May 10, \$4,800.
  - 26 Paid salaries to employees, \$2,650.

|                               |               |         | OLSO          | OLSON COMPUTER REPAIR SERVICE<br>WORKSHEET<br>NOVEMBER 30, 2003 | REPAIR SERVIC<br>IEET<br>30, 2003 | н                      |            |                  |               |               |
|-------------------------------|---------------|---------|---------------|---|-----------------------------------|------------------------|------------|------------------|---------------|---------------|
|                               | Trial Balance | alance  | Adjus         | Adjustments   | Adjusted T                        | Adjusted Trial Balance | Income 5   | Income Statement | Balanc        | Balance Sheet |
| Account Titles                | Dr.           | Cr.     | Dr.           | Cr.   | Dr.                               | Cr.                    | Dr.        | Cr.              | Dr.           | Cr.           |
| Cash                          | 136648        |         |               | (A) 4827  | 131821                            |                        |            |                  | 131821        |               |
| Prepaid Insurance             |               |         |               | 234   |                                   |                        |            |                  | 480           |               |
| Accounts Receivable           | 5 2 7 7 4 2   |         |               |   |                                   |                        |            |                  | 527742        |               |
| Repair Parts and Supplies     | 159747        |         |               | (D) 8 4 2 40  | Ś                                 |                        |            |                  | Ś             |               |
| Van                           | 2167500       |         |               |   | 1                                 |                        |            |                  | 2167500       |               |
| Accumulated Amortization, Van |               | 810365  |               | (B) 6 1 8 75  |                                   | 872240                 |            |                  |               | 872240        |
| Accounts Payable              |               | 377260  |               | (F) 2 4 3 00  |                                   | 401560                 |            |                  |               | 401560        |
| Sylvia Olson, Capital         |               | 1266358 |               |   |                                   | 1266358                |            |                  |               | 1266358       |
| Sylvia Olson, Withdrawals     | 260000        |         |               |   | 260000                            |                        |            |                  | 260000        |               |
| Repair Revenue                |               | 1645870 |               |   |                                   | 1645870                |            | 1645870          |               |               |
| Advertising Expense           | 71438         |         | (F) 2 4 3 0 0 |   | 95738                             |                        | 95738      |                  |               |               |
| Automotive Expense            | 234551        |         |               |   | 234551                            |                        | 234551     |                  |               |               |
| Cleaning Expense              | 37500         |         |               |   | 37500                             |                        | 37500      |                  |               |               |
| Miscellaneous Expense         | 17814         |         |               |   | ト                                 |                        | ト          |                  |               |               |
| Postage and Office Expense    | 28417         |         |               |   | 28417                             |                        | 28417      |                  |               |               |
| Salaries Expense              | 387040        |         | (E) 4 2 0 0 0 |   | 429040                            |                        | 4 2 9 0 40 |                  |               |               |
|                               | 4099853       | 4099853 |               |   |                                   |                        |            |                  |               |               |
| Insurance Expense             |               |         | (C) 2 3 4 5 5 |   | 23455                             |                        | 23455      |                  |               |               |
| Bank Charges Expense          |               |         | (A) 4827      |   | s                                 |                        | 4827       |                  |               |               |
| Amortization Expense, Van     |               |         | (B) 6 1 8 75  |   | 61875                             |                        | 6 1 8 75   |                  |               |               |
| Salaries Payable              |               |         |               | (E) 42000   |                                   | 42000                  |            |                  |               | 42000         |
| Supplies Expense              |               |         | (D) 8 4 2 4 0 |   | 84240                             |                        | 8 4 2 40   |                  |               |               |
|                               |               |         | 240697        | 240697  | 42 2 8 0 2 8                      | 4228028                | 1017457    | 1645870          | 3210571       | 2582158       |
| Net Income                    |               |         |               | •   |                                   |                        | 84         | )<br>\<br>I      |               | 6 2 8 4       |
|                               |               |         |               |   |                                   |                        | 1645970    | 1645870          | 2 2 1 0 E 1 1 | ١.            |

Comprehensive review of the entire accounting cycle, Chapters 1–5

28 Paid MacKenzie Co. one-half of amount owed for office equipment, \$2,050.

- 29 Paid telephone bill of company, \$184.
- 31 Received bill from George's Cleaning to be paid in June, \$215.

# Adjusting Data

- a. Plumbing supplies remaining at month-end were \$328
- **b.** One month's rent expired in May
- **c.** Amortization on office equipment uses the straight-line method, a life of five years, and a residual value of \$500
- **d.** Amortization of plumbing equipment also uses the straight-line method, a life of three years, and zero residual value
- e. Salaries accrued amounted to 20% of the salaries paid on May 26

# **R**EAL-WORLD APPLICATIONS

(The forms you need are on page 5-48 of the *Study Guide with Working Papers*.)

#### 5R-1.

Ann Humphrey needs a loan from her local bank to help finance her business. She has submitted to the bank the following unadjusted trial balance. As the loan officer, you will be meeting with Ann tomorrow. Could you make some specific written suggestions to Ann regarding her loan report?

| Cash in Bank         | 770    |        |
|----------------------|--------|--------|
| Accounts Receivable  | 1,480  |        |
| Office Supplies      | 3,310  |        |
| Equipment            | 7,606  |        |
| Accounts Payable     |        | 684    |
| A. Humphrey, Capital |        | 8,000  |
| Service Fees         |        | 17,350 |
| Salaries             | 11,240 |        |
| Utilities Expense    | 842    |        |
| Rent Expense         | 360    |        |
| Insurance Expense    | 280    |        |
| Advertising Expense  | 146    |        |
| Totals               | 26,034 | 26,034 |

# 5R-2.

Janet Smothey is the new bookkeeper who replaced Dick Burns, owing to his sudden illness. Janet finds on her desk a note requesting that she close the books and supply the ending capital figure. Janet is upset, since she can find only the following:

- a. Revenue and expense accounts were all zero balance.
- **b.** Income Summary

14,360 19,300

- c. Owner withdrew \$8,000.
- **d.** Owner's beginning capital was \$34,400.

Could you help Janet accomplish her assignment? What written suggestions should Janet make to her supervisor so that this situation will not happen again?

Check Figure Net Income \$7,850.67



# Critical Thinking/Ethical Case

# 5R-3.

Todd Silver is the purchasing agent for Moore Company. One of his suppliers, Gem Company, offers Todd a free vacation to France if he buys at least 75 percent of Moore's supplies from Gem Company. Todd, who is angry because Moore Company has not given him a raise in over a year, is considering the offer. Write out your recommendation to Todd.

# **INTERNET EXERCISES**

# Exercise 1 www.tadonline.com

The beginning of your accounting education is a good time to begin formulating your philosophy of how to do accounting work. By studying and learning you are also learning good work habits. The TADOnline Web site presents a section on "Why Outsource Your Accounting." The discussion presents some good suggestions and may also cause you to reflect on how people choose an accounting or bookkeeping firm.

Use that discussion as a springboard and discuss what factors you believe affect a client's choice for someone to help them with their vital accounting records. TADOnline is not "just around the corner." Is location an important factor in deciding who will do a business's accounting?

# Exercise 2 www.peachtree.com; www.quickbooks.com

Most businesses today are employing some type of computerized accounting system. Some business' requirements are simple, and they use only a general ledger program. Others are much more complex and employ inventory modules and payroll modules, in addition to accounts receivable and accounts payable modules for tracking customer and vendor information.

- **1.** Browse the two Web sits in this exercise. Compare and contrast the products by looking at information like these suggestions:
  - **a.** What kind of output is available?
  - **b.** How are the input systems similar?
  - c. Does the program have an inventory module?
  - **d.** At each site are there different products for different complexities in accounting systems?
  - e. What online help is available?
- **2.** Set up a visit to a local accounting firm. In addition to the two sample programs in this exercise ask them what they use in their offices.

# CONTINUING PROBLEM

ony has decided to end the Eldorado Computer Centre's first year as of September 30, 2004. Below is an updated chart of accounts.

#### Assets

- 1000 Cash
- 1020 Accounts Receivable
- 1025 Prepaid Rent
- 1030 Supplies
- 1080 Computer Shop Equipment
- 1081 Accumulated Amortization Computer Shop Equipment
- 1090 Office Equipment
- 1091 Accumulated Amortization Office Equipment

#### Liabilities

2000 Accounts Payable

#### **Owner's Equity**

- 3000 T. Freedman, Capital
- 3010 T. Freedman, Withdrawals
- 3020 Income Summary

#### Assignment

(See pages 5-50 to 5-55 in your Study Guide with Working Papers.)

- 1. Journalize the adjusting entries from Chapter 4.
- 2. Post the adjusting entries to the ledger.
- 3. Journalize the closing entries.
- 4. Post the closing entries to the ledger.
- 5. Prepare a post-closing trial balance.

#### Revenue

4000 Service Revenue

#### Expenses

- 5010 Advertising Expense
- 5020 Rent Expense
- 5030 Utilities Expense
- 5040 Phone Expense
- 5050 Supplies Expense
- 5060 Insurance Expense
- 5070 Postage Expense
- 5080 Amortization Expense, Computer Shop Equipment
- 5090 Amortization Expense, Office Equipment

# *Valdez Realty* Reviewing the Accounting Cycle Twice

SET

This comprehensive review problem requires you to complete the accounting cycle for Valdez Realty twice. This will allow you to review Chapters 1 to 5 while reinforcing the relationships among all parts of the accounting cycle. By completing two cycles, you will see how the ending June balances in the ledger are used to accumulate data in July. (The blank forms you need are on pages 5-59 to 5-75 of the *Study Guide with Working Papers.*)

First, examine the chart of accounts for Valdez Realty (below).

On June 1 Juan Valdez opened a real estate office in Hamilton called Valdez Realty. The following transactions were completed for the month of June. Note that facsimile documents have been provided to illustrate these events:

1 Juan Valdez invested \$18,000 cash in the real estate agency along with \$3,000 worth of office equipment.

 Rented office space and paid three months' rent in advance, \$2,100, cheque 601.

|          |                           | ez Realty<br>of Account | Ś                       |
|----------|---------------------------|-------------------------|-------------------------|
| Assets   |                           | Reven                   | ue                      |
| 111      | Cash                      | 411                     | Commissions Earned      |
| 112      | Accounts Receivable       |                         |                         |
| 114      | Prepaid Rent              | Expen                   | ses                     |
| 115      | Office Supplies           | 511                     | Rent Expense            |
| 121      | Office Equipment          | 512                     | Salaries Expense        |
| 122      | Accumulated Amortization, | 513                     | Gas Expense             |
|          | Office Equipment          | 514                     | Repairs Expense         |
| 123      | Automobile                | 515                     | Telephone Expense       |
| 124      | Accumulated Amortization, | 516                     | Advertising Expense     |
|          | Automobile                | 517                     | Office Supplies Expense |
|          |                           | 518                     | Amortization Expense,   |
| Liabilit | ies                       |                         | Office Equipment        |
| 211      | Accounts Payable          | 519                     | Amortization Expense,   |
| 212      | Salaries Payable          |                         | Automobile              |
|          | ,                         | 524                     | Miscellaneous Expense   |
| Owner    | 's Equity                 |                         |                         |
| 311      | Juan Valdez, Capital      |                         |                         |
| 312      | -                         |                         |                         |
| 313      | Income Summary            |                         |                         |

.

#2, p. 213 —

#1, p. 213 → June

PRACTICE

2004

**MINI** 

| 1.                         | CURRENT ACCOUNT                           |                     |                      |                        |                       |
|----------------------------|---|---------------------|----------------------|------------------------|-----------------------|
|                            | DEPOSIT SLIP                              | PLEASE LIS          | T FOREIGN CHEQUES ON | A SEPARATE D           | EPOSIT SLIP           |
|                            | ROYAL BANK                                | VISA AND            | CHEQUES              | DETAILS                | CASH (INCL COUPONS)   |
|                            |   |                     | VISA VOUCHER TOTAL   | X 2                    |                       |
|                            |   | Valder              | 18,000:00            | X 5                    |                       |
|                            | 1 4 000/                                  | 8                   | 1                    | X 10                   |                       |
|                            | June 1, 2004                              |                     | 1                    | X 20                   | 1                     |
|                            |   |                     | 1                    | X 50                   | 1                     |
|                            | DEPOSITOR'S TELLER'S<br>INITIALS INITIALS |                     | 1                    | X 100                  |                       |
|                            | N PRL                                     |                     |                      | Х                      |                       |
|                            |   |                     |                      | COIN                   |                       |
|                            | CREDIT ACCOUNT OF                         |                     | 1                    | CANADIAN<br>CASH TOTAL | 1                     |
|                            |   |                     | 18,000:00            | VISA &                 | 18,000 00             |
|                            | VALDEZ REALTY                             | U.S.                | 18,000,00            | CHQS<br>RATE           | 18,000,00             |
|                            |   | CHQS.<br>U.S.       |                      |                        |                       |
|                            |   | CASH                |                      | RATE                   |                       |
|                            |   |                     | NET<br>DEPOSIT       |                        | 18,000:00             |
|                            |   |                     |                      | COMPARED               | WITH ORIGINAL DEPOSIT |
|                            | 1: 05337                                  | 123'498'6 51        |                      |                        | SLIP AS TO TOTAL ONLY |
| 2.                         |   |                     |                      |                        |                       |
| 2.                         | VALDEZ REALTY<br>485 KING STREET WEST     |                     |                      |                        | 601                   |
|                            | HAMILTON, ONTARIO L9H                     | 6W3                 |                      | .1                     | me 1 20 04            |
|                            | PHONE (905) 527-1223                      | 3                   |                      |                        |                       |
| ΡΑΥ ΤΟ                     | Hamilton Due D                            | poperty Manale      | ment Co              | \$                     | 2,100.00              |
| THE ORDER (                | DF  | vopeny i mage       | ment co.             | · · ·                  | 2,700.00              |
| ~~~                        | Hamilton One P<br>DF<br>~~ Two thousand   | one hundred ~       |                      |                        | 00/100 DOLLARS        |
| THE RO                     | YAL BANK OF CANADA                        |                     |                      |                        |                       |
| 20                         | MAIN BRANCH<br>04 KING STREET WEST        |                     |                      |                        |                       |
|                            | LTON, ONTARIO L9H 4Z9                     |                     | VALDEZ REALTY        |                        |                       |
|                            |   |                     | PER Juan             | Valdes                 |                       |
| FOR Ken                    | <u>t - June-August 20</u>                 | 104                 |                      |                        |                       |
|                            | II"00060l I: 0533.                        | 7 123'498'6         |                      |                        |                       |
|                            |   |                     |                      |                        |                       |
|                            | 2004                                      |                     |                      |                        |                       |
|                            |   |                     | 1:1 (1)              | 02 012 0               | 000                   |
| #3a & b, p. 214            |   | company autom       |                      |                        |                       |
| #4, p. 214                 |   | d office supplies   |                      |                        |                       |
| #5a & b, p. 215            | → 5 Purchase                              | d additional offi   | ce supplies on a     | ccount, \$             | 150.                  |
| #6a & b, pp. 215 & 216 ——— |   | use and collecte    |                      |                        |                       |
|                            |   | bill for car, \$22. |                      |                        |                       |
| #7, p. 216                 |   |                     |                      | ¢2                     | 50 C1 (05             |
| #8, p. 216                 |   |                     |                      |                        | 50. Cheque 605.       |
| #9, p. 216                 |   |                     | rned a commissio     | on, \$6,500            | ). Payment is to be   |
|                            | received                                  |                     |                      | _                      |                       |
| #10, p. 217                | -   |                     | 1,000 from the       | business               | s to pay persona      |
|                            | -   | . Cheque 606.       |                      |                        |                       |
| #11a & b, pp. 217 & 218    | → 21 Sold a ho                            | ouse and collecte   | d a \$3,500 com      | nission.               |                       |
| #12a & b, p. 218           |   | bill for car. \$25. |                      |                        |                       |
| -                          |   | 0 to repair auton   |                      | 508                    |                       |
| #13a & b, p. 218           |   |                     |                      |                        | 50 Class (00          |
| #14, p. 219                |   |                     |                      |                        | 50. Cheque 609.       |
| #15a & b, p. 219           | •   | June telephone ł    |                      |                        |                       |
| #16, p. 220                | → 30 Received                             | advertising bill    | for June, \$1,200    | ). The bil             | ll is to be paid or   |
| / <b>I</b>                 |   | e                   |                      |                        |                       |
|                            | July 2.                                   |                     |                      |                        |                       |

|     |  | AUTO<br>CITY<br>WEST  | 2674 King Street West<br>Hamilton, Ontario L9H 1A1<br>Phone (905) 527-9755; Fax (905)  | 527-9756   | INVOICE<br>DA   | NO. WEA109<br>TE: June 2/0<br>TERMS: Cas                                    |
|-----|--|---|--|--|---|---|
|     |  | 48  | aldez Realty<br>55 King Street West<br>amilton, Ontario L9H 6W3  | Ship To:<br>P  | Pickup  | (   |
|     |  | QUANTITY  | DESCRIPTION  | UNIT PF  | RICE  | AMOUNT  |
|     |  | 1   | ONLY 1999 Z75 4-Door Automa  | atic 12,000  | 0.00  | \$ 12,000.00  |
|     |  |   | les payable to Auto City West<br>CEIVED - Cheque #602 - Thank you  |  | UBTOTAL<br>FREIGHT<br>TAX   | 12,000.00   |
|     |  |   | THANK YOU FOR Y  |  | AL DUE  | \$ 12,000.00  |
| 3b. | V  | 485 KING S<br>HAMILTON, ON  | Z REALTY<br>STRET WEST<br>NTARIO L9H 6W3<br>05) 527-1223   |  | June  | 602<br>2 <sub>20</sub> 04   |
|     |  | A - 0   |  |  | <b>_</b>  |   |
|     | THE ROYA                                       | F<br>Twelve T<br>AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L94   | T VA   | ALDEZ REALTY   | ,2,   | 000.00  |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9H  | NADA<br>17<br>1429 VA<br>1429 PE   | ALDEZ REALTY   | 00  |   |
|     | THE ROYA<br>204<br>HAMILT                      | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO LOF<br>Obile - 1<br>11"000602  | алада<br><sup>11</sup> 429 VA<br>V. <b>WEÂ1097</b> Ре<br>I: 05337 123'498'6  | ALDEZ REALTY   | o(  | ) /100 DOLLAF   |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>Obile - 1m<br>II"000602<br>Office<br>#53 Niagar<br>Hamilton, 0  | NADA<br>T<br>H 429<br>VA<br>VA<br>VA<br>VA<br>VA<br>VA<br>VA<br>VA<br>PE<br>1: 05337<br>1:23'498'5<br>Depot  | ALDEZ REALTY   | o(  |   |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>Olile - 1<br>II"000602<br>Office<br>#53 Niagar<br>Hamilton, 0<br>Phone (905<br>SOLD TO:<br>Valdez<br>485 Kin                              | ANADA         AT       VA         H 429       VA         V.       WEÂ1097       PE         I: 05337       123'498'6       PE         Depot       Image: Constant of the second se | ALDEZ REALTY<br>R <u>Juan V</u>  | O(<br>aldez<br>IN<br>DATE:<br>NUMBER:<br>TERMS:                                     | ) /100 DOLLAF<br>VOICH<br>Jun 4/04<br>D198795                               |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>Olile - 1<br>II"000602<br>Office<br>#53 Niagar<br>Hamilton, 0<br>Phone (905<br>SOLD TO:<br>Valdez<br>485 Kin                              | ANADA<br>T<br>+ 429<br>VA<br>V. WEÂ1097<br>PE<br>I: 05337<br>I23'498'ь<br>Depot<br>Ta Mall<br>Ontario L9H 1B1<br>5) 527-1233, Fax (905) 527-1234<br>:<br>Realty<br>ng Street West  | ALDEZ REALTY<br>R <u>Juan V</u>  | O(<br>aldez<br>IN<br>DATE:<br>NUMBER:<br>TERMS:<br>alty                             | ) /100 DOLLAR<br>VOICF<br>Jun 4/04<br>D198795<br>Cash                       |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>olile - 1m<br>II"000602   | ANADA         AT       VA         H 429       VA         V.       WEÂ1097       PE         I: 05337       123'498'5       PE         Depot       Image: Comparison of the system of the  | ALDEZ REALTY<br>R <u>Juan V.</u><br>SHIPPED TO:<br>Valdez Re<br>485 King S | OC<br>aldez<br>IN<br>DATE:<br>NUMBER:<br>TERMS:<br>alty<br>Street West<br>UNIT PRIC | ) /100 DOLLAF<br>VOICI<br>Jun 4/04<br>D198795<br>Cash<br>:E AMOU<br>\$300.0 |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>Olile – 1<br>II"000602<br>Offfice<br>#53 Niagar<br>Hamilton, 0<br>Phone (905<br>SOLD TO:<br>Valdez<br>485 Kin<br>Hamilt<br>DATE           | MADA         MADA         Marcology         V.         WEA1097         PE         I: 05337         L23'498'L         Depot         ra Mall         Ontario L9H 1B1         5) 527-1233, Fax (905) 527-1234         Sealty         ng Street West         son, Ontario L9H 6W3         DESCRIPTION         Office supplies  | ALDEZ REALTY<br>R <u>Juan V.</u><br>SHIPPED TO:<br>Valdez Re<br>485 King S | OC<br>aldez<br>IN<br>DATE:<br>NUMBER:<br>TERMS:<br>alty<br>Street West<br>UNIT PRIC | ) /100 DOLLAR<br>VOICF<br>Jun 4/04<br>D198795<br>Cash<br>:E AMOU<br>\$300.0 |
|     | THE ROYA<br>204<br>HAMILTO<br>FOR <u>Autom</u> | AL BANK OF CA<br>MAIN BRANCH<br>KING STREET WES<br>ON, ONTARIO L9F<br>Olile - 1<br>HTODDLD2<br>Office<br>#53 Niagar<br>Hamilton, 0<br>Phone (905<br>SOLD TO:<br>Valdez<br>485 Kin<br>Hamilt<br>DATE<br>Jun 4/04 | MADA         MADA         Marcology         V.         WEA1097         PE         I: 05337         L23'498'L         Depot         ra Mall         Ontario L9H 1B1         5) 527-1233, Fax (905) 527-1234         Sealty         ng Street West         son, Ontario L9H 6W3         DESCRIPTION         Office supplies  | ALDEZ REALTY<br>R <u>Juan V.</u><br>SHIPPED TO:<br>Valdez Re<br>485 King S | OC<br>aldez<br>IN<br>DATE:<br>NUMBER:<br>TERMS:<br>alty<br>Street West<br>UNIT PRIC | ) /100 DOLLAF<br>VOICI<br>Jun 4/04<br>D198795<br>Cash<br>:E AMOU<br>\$300.0 |

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|  |  | REALTY<br>COMMISSION REPOR  | Т              | Date  | <i>e</i> June 6, 200                   |
|--|--|---|----------------|---|--|
|  | Name:  | Mr. and Mrs. Harold Penc  | hant           |   |  |
|  | Date   | Sales Description   | Sales No.      | Commission<br>Amount                                      |  |
|  | Jun 6/04   | Home at 44 Brookhaven Crescent  | A1001          | \$6,000.00  | Paid in full.                          |
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| PAY TO P<br>THE ORDER OF<br>THE ROYAL B<br>MAI<br>204 KINI<br>HAMILTON,<br>FOR Salar | PHONE (90<br><u>Amela D</u><br><u>Three ha</u><br>BANK OF CA<br>N BRANCH<br>G STREET WES<br>ONTARIO L9H<br><u>y - Jun</u><br><u>"000605</u>  | 5) 527-1223<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000 | VALDEZ REA     | ALTY<br>ALTY<br>ALTY                                      | 5 350.00<br>00 /100 DO                 |
| PAY TO P<br>THE ORDER OF<br>THE ROYAL B<br>MAI<br>204 KINI<br>HAMILTON,<br>FOR Salar | PHONE (90<br>Pamela D<br>Three ha<br>BANK OF CA<br>N BRANCH<br>G STREET WES<br>ONTARIO L9H<br>y - Jun<br>"000605<br>VALDEZ                   | 5) 527-1223<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000 | VALDEZ REA     | ALTY<br>ALTY<br>ALTY                                      | 5 350.00<br>00 /100 DO                 |
| PAY TO P<br>THE ORDER OF<br>THE ROYAL B<br>MAI<br>204 KINI<br>HAMILTON,<br>FOR Salar | PHONE (90<br>Camela D<br>Three he<br>BANK OF CA<br>N BRANCH<br>G STREET WES<br>ONTARIO L9F<br>y - Jun<br>"OOOLO5<br>VALDEZ<br>Name:          | 5) 527-1223<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000<br>2000 | VALDEZ REA     | ALTY<br>ALTY<br>ALTY<br>Date<br>Commission                | 5 350.00<br>00 /100 DO                 |
| PAY TO P<br>THE ORDER OF<br>THE ROYAL B<br>MAI<br>204 KINI<br>HAMILTON,<br>FOR Salar | PHONE (90<br>Pamela D<br>Three ho<br>BANK OF CA<br>N BRANCH<br>G STREET WES<br>ONTARIO L9F<br>y - Jun<br>"OOOLO 5<br>VALDEZ<br>Name:<br>Date | s) 527-1223<br>AWSON<br>Andred fifty Announce<br>NADA<br>T<br>4229<br><u>e</u> 1-15<br>1: 05337 123'498'L<br>COMMISSION REPORT<br>East End Land Developers<br>Sales Description   | VALDEZ REA     | ALTY<br>ALTY<br>An Valdey<br>Date<br>Commission<br>Amount | 5 350.00<br>00 /100 DO                 |
| PAY TO P<br>THE ORDER OF<br>THE ROYAL B<br>MAI<br>204 KINI<br>HAMILTON,<br>FOR Salar | PHONE (90<br>Pamela D<br>Three ho<br>BANK OF CA<br>N BRANCH<br>G STREET WES<br>ONTARIO L9F<br>y - Jun<br>"OOOLO 5<br>VALDEZ<br>Name:<br>Date | s) 527-1223<br>AWSON<br>Andred fifty Announce<br>NADA<br>T<br>4229<br><u>e</u> 1-15<br>1: 05337 123'498'L<br>COMMISSION REPORT<br>East End Land Developers<br>Sales Description   | VALDEZ REA PER | ALTY<br>ALTY<br>An Valdey<br>Date<br>Commission<br>Amount | 5 350.00<br>00 /100 DC                 |

| VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223   |               | 606<br>June 20 20 04 |
|--|---------------|----------------------|
| PAY TO Juan Valdez   |               | \$ 1,000.00          |
| THE ORDER OF One thousand ~~~  |               | 00 /100 DOLLARS      |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH<br>204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 429 | VALDEZ REALTY |                      |
| FOR Withdrawal   | PER Juan Va   | aldez                |
| II"000606 I: 05337   | 123'498'6     |                      |

| CURRENT ACCOUNT<br>DEPOSIT SLIP           | PLEASE LIS            | T FOREIGN CHEQUES ON A | SEPARATE D             | EPOSIT SLIP                                  |
|---|-----------------------|------------------------|------------------------|--|
| ROYAL BANK                                | VISA AND              | CHEQUES                | DETAILS                | CASH (INCL COUPONS)                          |
|   |                       | VISA VOUCHER TOTAL     | X 2                    |  |
|   | L. Harrison           | 3,500:00               | X 5                    |  |
| 1 24 200/                                 |                       |                        | X 10                   | 1  |
| June 21, 2004                             | 1                     | 1                      | X 20                   | 1  |
| DATE                                      |                       | 1                      | X 50                   | 1  |
| DEPOSITOR'S TELLER'S<br>INITIALS INITIALS |                       |                        | X 100                  |  |
| PD AS                                     |                       |                        | Х                      |  |
|   |                       |                        | COIN                   |  |
| CREDIT ACCOUNT OF                         |                       |                        | CANADIAN<br>CASH TOTAL |  |
| VALDEZ REALTY                             |                       | 3,500:00               | VISA &<br>CHQS         | 3,500 00                                     |
|   | U.S.<br>CHQS.<br>U.S. |                        | RATE                   | ,  |
|   | U.S.<br>CASH          | 1                      | RATE                   | 1  |
|   |                       | NET<br>DEPOSIT         |                        | 3,500 00                                     |
| I: 05337                                  | 123'498'6 51          |                        | COMPARED               | WITH ORIGINAL DEPOSI<br>SLIP AS TO TOTAL ONL |

|           | COMMISSION REPO        | ORT       | Date                 | yune 21, 200  |
|-----------|------------------------|-----------|----------------------|---------------|
| Name:     | Ms. Laura Harrison     |           |                      |               |
| Date      | Sales Description      | Sales No. | Commission<br>Amount |               |
| Jun 21/04 | Home at 842 Alder Road | A1003     | \$3,500.00           | Paid in full. |
|           |                        |           |                      |               |
|           |                        |           |                      |               |
|           |                        |           |                      |               |
| C003      |                        | Remarks:  |                      |               |

| VALDEZ REALTY<br>485 KING STREET WEST  | 607            |
|--|----------------|
| V         HAMILTON, ONTARIO         L9H 6W3           PHONE (905)         527-1223 | June 22 20 04  |
| PAY TO Anderson Petroleum Ltd.   | \$ 25.00       |
| THE ORDER OF Twenty-five ~~~~~   | 00/100 DOLLARS |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH  |                |
| 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9                                  | VALDEZ REALTY  |
| FOR Gas bill - June 22   | perJuan Valdez |
| 11 <b>°</b> 000607 1: 05337 123'498'   | h.             |

12.

| AUTO<br>CITY<br>WEST | Ham<br>Pho | 4 King Street West<br>hilton, Ontario L9H 1A1<br>ne (905) 527-9755; Fax (905) 527-93 |                    | INVOICE<br>VOICE NO. WES3750<br>DATE: June 24/04<br>TERMS: Cash |
|----------------------|------------|--|--------------------|---|
| 485                  | 0          | lty<br>reet West<br>ntario L9H 6W3   | Ship To:<br>Pickup | TERMS. Cash   |
| QUANTITY             |            | DESCRIPTION  | UNIT PRICE         | AMOUNT  |
| 1                    | Only       | Z75 Air conditioning repair  |                    | \$ 600.00   |
|                      |            |  |                    | 000.00  |

| 1  | Only | Z75 Air conditioning repair |           | \$ 600.00 |
|--|------|-----------------------------|-----------|-----------|
| Make all cheques payable to Auto City West |      |                             | SUBTOTAL  | 600.00    |
|  |      |                             | FREIGHT   |           |
| PAYMENT RECEIVED - Cheque #608 - Thank you |      |                             | TAX       |           |
|  |      |                             | TOTAL DUE | \$ 600.00 |
| THANK YOU FOR YOUR BUSINESS!               |      |                             |           |           |

| VALDEZ REALTY     485 KING STREET WEST            | 608                  |
|---|----------------------|
| HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223 | June 24 20 04        |
| PAY TO Auto City West                             | \$ 600.00            |
| THE ORDER OF                                      |                      |
| - Six hundred mannen                              | ~~~~ 00 /100 DOLLARS |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH           |                      |
| 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9 | VALDEZ REALTY        |
| FOR <u>Automobile repairs - Inv WE</u> S3750      | per Juan Valdez      |
| II"OOOLO8 I: 05337 123'498'L                      |                      |

| VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223   | 609<br>June 30 20 04 |
|--|----------------------|
| PAY TO Pamela Dawson   | \$ 350.00            |
| THE ORDER OF Three hundred fifty ~   |                      |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH<br>204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9 | VALDEZ REALTY        |
| FOR <u>Salary - June 16-30</u>   | per Juan Valdez      |
| II"000609 I: 05337 1a  | 23'498'6             |

| 15a. | Phones<br>Ontario  |  | #2110 Steel Place<br>Hamilton, Ontario L9G 4B4<br>Phone (905) 529-7190<br>Fax (905) 529-0063 |     |
|------|--|--|--|-----|
|      |  | Your Statemen  | nt   |     |
|      | In Account with  | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON ON L9H 6W3 | Payment<br>received June<br>30, 2004   |     |
|      | Account #09444 710-190                                     |  | Phones<br>Ontario  |     |
|      | Billing Period: June 1 to June                             | 30   | Ontario  |     |
|      | Payments/Adjustments/Depos<br>Opened account June 1, 2004. |  | \$0.0  | 00  |
|      |  | Monthly rental and cha                                       | anges to service 510.  | .00 |
|      | Amount now. due<br>Payment due after July 10, 2001         | \$522.75   | Total Due \$510.   | .00 |

| 4 5 1 |  |  |
|-------|--|--|
| 15b.  | VALDEZ REALTY<br>485 KING STREET WEST                            | 610                                    |
|       | HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223                | June 30 20 04                          |
|       | PAY TO Phones Ontario  | \$ 510.00                              |
|       | THE ORDER OF   |  |
|       | Five hundred ten ~   | •••••••••••••••••••••••••••••••••••••• |
|       | THE ROYAL BANK OF CANADA   |  |
|       | MAIN BRANCH<br>204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9 | VALDEZ REALTY                          |
|       | FOR June phone bill  | PER Juan Valdez                        |
|       | II"000610 I: 05337   | 123'498'6                              |

|                    | 85 Main Street, Hamilton, Ontario L9H 0C0<br>Phone (905) 527-1030 Fax (905) 527-1031 |      |                     |
|--------------------|--|------|---------------------|
|                    | INVOICE  |      |                     |
| SOLD TO:           | Valdez RealtyInvoice No.:485 King Street WestDate:Hamilton ON L9H 6W3Due Date:       |      | 26, 2004<br>3, 2004 |
|                    |  |      |                     |
| DATE               | DESCRIPTION  |      | AMOUNT              |
| DATE<br>June 26/04 | DESCRIPTION<br>Advertising in City News during June 2004                             |      | AMOUN7<br>\$1,200.0 |
|                    |  | DTAL |                     |

# **Required Work for June**

- 1. Journalize transactions and post to ledger accounts.
- 2. Prepare a trial balance in the first two columns of the worksheet and complete the worksheet using the following adjustment data:
  - a. One month's rent had expired
  - **b.** An inventory shows \$50 worth of office supplies remaining
  - c. Amortization on office equipment, \$100
  - d. Amortization on automobile, \$200
- 3. Prepare a June income statement, statement of owner's equity, and balance sheet.
- 4. From the worksheet, journalize and post adjusting and closing entries (page 3 of journal).
- **5.** Prepare a post-closing trial balance.

During July, Valdez Realty completed these transactions:

| 2004 |  |
|------|--|
| т 1  |  |

|                     | 2001            |  |
|---------------------|-----------------|--|
| #17, p. 221         | → July 2        | Paid for June office supplies purchased on account, \$150. Cheque 611.     |
| #18, p. 221         | → 2             | Purchased additional office supplies on account, \$700.                    |
| #19, p. 221         | <b>→</b> 3      | Paid advertising bill for June. Cheque 612.                                |
| #20a & b, p. 222    | <b>──</b> ► 4   | Sold a house and collected a commission, \$6,600.                          |
| #21, p. 222         | <b>──</b> ► 6   | Paid for gas for car, \$29. Cheque 613.                                    |
| #22, p. 223         | → 8             | Collected commission from sale of building lot on June 17.                 |
| #23, p. 223         | → 12            | Paid \$300 to send employees to realtor's workshop. Cheque 614.            |
| #24, p. 224         | → 15            | Paid the salary of the part-time office secretary, \$350. Cheque 615.      |
| #25, p. 224         | <b>──</b> ► 17  | Sold a house and earned a commission of \$2,400. Commission to be          |
| / <b>•</b>          |                 | received on August 10.   |
| #26a & b, pp. 224 & | <b>225</b> → 18 | Sold a building lot and collected a commission of \$7,000.                 |
| #27, p. 225         | → 22            | Sent a cheque for \$40 to help sponsor a local road race to aid the poor.  |
| /                   |                 | (This is not to be considered an advertising expense, but it is a business |
|                     |                 | expense.) Cheque 616.  |
| #28a & b, pp. 225 & | 226 <b>→</b> 24 | Paid for repairs to automobile, \$590. Cheque 617.                         |
| #29, p. 226         | → 28            | Juan Valdez withdrew \$1,800 from the business to pay personal ex-         |
|                     |                 | penses. Cheque 618.  |
| #30, p. 226         | → 30            | Paid the salary of the part-time office secretary, \$350. Cheque 619.      |
| #31a & b, p. 227    | → 30            | Paid the July telephone bill, \$236. Cheque 620.                           |
| #32, p. 227         | → 30            | Advertising bill for July was received, \$1,400. The bill is to be paid in |
|                     |                 | August.  |

| 1                      | VALDE   | Z REALTY  |               |              |                     | 611                     |
|------------------------|---|---|---------------|--------------|---------------------|-------------------------|
|                        | 485 KING S<br>HAMILTON, ON  | STREET WEST<br>NTARIO L9H 6W3   |               |              | 1.0. 2              |                         |
|                        |   | )5) 527-1223  |               | —            | July 2<br>\$ 150.0  | 20 04                   |
| PAY TO<br>THE ORDER OF | Office De   | frot  |               |              | ⊅ 150.0             | 0                       |
|                        | ~ One hu  | ndred fifty .   |               | ·····        | 00_/                | 100 DOLLARS             |
| N                      | L BANK OF CA<br>MAIN BRANCH   |   |               |              |                     |                         |
|                        | KING STREET WES<br>N, ONTARIO L9H   |   | VA            | ALDEZ REALTY |                     |                         |
| FOR INO                | pice #D19   | 8825  | PE            | er Juan V.   | aldez               |                         |
|                        | 11.000PJJ   | 1: 05337  | 123'498'6     |              |                     |                         |
| 18.                    |   |   |               |              |                     |                         |
|                        | Office  | -   |               |              | INV                 | OICE                    |
|                        | #53 Niagar<br>Hamilton  | ra Mall<br>Ontario L9H 1B1  |               |              |                     | lul 2/04<br>01996035    |
|                        |   | 5) 527-1233, Fax (9   | 905) 527-1234 |              |                     | Cash                    |
|                        | SOLD TO:  |   |               | SHIPPED TO:  |                     |                         |
|                        |   | z Realty<br>ng Street West  |               | Valdez Re    | alty<br>Street West |                         |
|                        |   | ton, Ontario L9H 6  | 5W3           | 405 King     |                     |                         |
|                        | DATE  |   | DESCRIPTION   |              | UNIT PRICE          | AMOUN                   |
|                        | Jul 2/04  | Office supplies   |               |              |                     | \$700.00                |
|                        |   |   |               |              | Subtotal            | 700.00                  |
|                        |   |   |               |              | Total               | \$700.00                |
|                        | Business Nu   | ımber: 115555559  |               |              | Total               |                         |
|                        |   | TH  | ANK YOU FOR Y | OUR BUSINESS |                     | PLEASE PAY<br>THE ABOVE |
|                        | (   |   |               |              |                     |                         |
|                        |   |   |               |              |                     |                         |
| [<br>                  | VALDE   | Z REALTY  |               |              |                     | 612                     |
|                        | 485 KING S<br>HAMILTON, ON  | STREET WEST<br>NTARIO L9H 6W3   |               |              | July 3              |                         |
|                        | 485 KING S<br>HAMILTON, ON<br>PHONE (90   | STREET WEST<br>NTARIO L9H 6W3<br>05) 527-1223   |               |              | July 3              | 20 04                   |
| THE ORDER OF           | 485 KING S<br>HAMILTON, ON<br>PHONE (90   | STREET WEST<br>NTARIO L9H 6W3<br>55) 527-1223<br>2  |               |              | \$ 1,200            | 20 04                   |
| THE ORDER OF           | 485 KING S<br>HAMILTON, ON<br>PHONE (90   | STREET WEST<br>NTARIO L9H 6W3<br>55) 527-1223<br>2  | hundred man   |              | \$ 1,200            | 20 04                   |
| THE ORDER OF           | 485 KING S<br>HAMILTON, ON<br>PHONE (90   | street west<br>vtario l9H 6W3<br>05) 527-1223<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2<br>2                               | hundred man   |              | \$ 1,200            | 20 04                   |
| THE ORDER OF           | 485 KING S<br>HAMILTON, ON<br>PHONE (90<br><u>City New</u><br><u>~ One the</u><br>L BANK OF CA                                  | street west<br>vtario L9H 6W3<br>is) 527-1223<br>is<br>wand two b<br>wada<br>t  |               |              | \$ 1,200            | 20 04                   |
| THE ORDER OF           | 485 KING S<br>HAMILTON, ON<br>PHONE (90<br><u>City New</u><br><u>Cone the</u><br>L BANK OF CA<br>MAIN BRANCH<br>(ING STREET WES | STREET WEST<br>VTARIO L9H 6W3<br>05) 527-1223<br>22<br>24<br>24<br>25<br>25<br>27<br>25<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27<br>27 | V             |              | <u>\$ 1,200</u>     | ).00                    |

| VALDEZ    | REALTY<br>COMMISSION REPO | RT        | Date                 | July 4, 2004  |
|-----------|---------------------------|-----------|----------------------|---------------|
| Name:     | Mr. and Mrs. Andrew T     | ran       |                      |               |
| Date      | Sales Description         | Sales No. | Commission<br>Amount |               |
| July 4/04 | Home at 1014 Cedar Lane   | A1004     | \$6,600.00           | Paid in full. |
|           |                           |           |                      |               |
|           |                           |           |                      |               |
| C004      |                           | Remarks:  |                      |               |

20b.

| CURRENT ACCOUNT                           |           | CT 11C                |                  |        |                        |  |
|---|-----------|-----------------------|------------------|--------|------------------------|--|
| DEPOSIT SLIP                              |           |                       | T FOREIGN CHEQUE | S UN A | SEPARATE D             | EPOSIT SLIP                                  |
| ROYAL BANK                                | VISA      | A AND                 | CHEQUES          |        | DETAILS                | CASH (INCL COUPONS)                          |
|   |           |                       | VISA VOUCHER TO  | DTAL   | X 2                    | 1  |
|   | A. Tran   |                       | 6,6000           | 00     | X 5                    |  |
| 1 1 1, 2001.                              |           |                       |                  |        | X 10                   | 1  |
| July 4, 2004                              | 1         |                       | 1                |        | X 20                   | 1  |
| Ó DATE                                    | 1         |                       | 1                |        | X 50                   | 1  |
| DEPOSITOR'S TELLER'S<br>INITIALS INITIALS | 1         |                       | 1                |        | X 100                  |  |
| PD MG                                     |           |                       |                  |        | Х                      |  |
| 10 119                                    |           |                       | 1                |        | COIN                   | 1  |
| CREDIT ACCOUNT OF                         |           |                       | 1                |        | CANADIAN<br>CASH TOTAL |  |
| VALDEZ REALTY                             |           |                       | 6.600            | 00     | VISA &<br>CHQS         | 6.600 00                                     |
|   |           | U.S.<br>CHOS          |                  |        | RATE                   | ,  |
|   |           | CHQS.<br>U.S.<br>CASH | 1                |        | RATE                   |  |
|   | -         |                       | NET<br>DEPOSIT   |        |                        | 6,600 00                                     |
| l: 05337 1                                | 123'498'6 | 51                    |                  |        |                        | WITH ORIGINAL DEPOSI<br>SLIP AS TO TOTAL ONL |

|    | VALDEZ REALTY   | 613                  |
|----|---|----------------------|
|    | HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223           | July 6 20 04         |
| P. | AY TO Anderson Petroleum Ltd.                               | \$ 29.00             |
|    | HE ORDER OF<br><u> <u> <u> </u> <i>Twenty-nine</i> </u></u> | ₩₩<br>00/100 DOLLARS |
|    | THE ROYAL BANK OF CANADA<br>MAIN BRANCH                     |                      |
|    | 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9           | VALDEZ REALTY        |
| FC | DR Gas bill - July 6  | PER Juan Valdez      |
|    | II"000613 I: 05337 123                                      | 498'6                |

| 22.    | CURRENT ACCOUNT<br>DEPOSIT SLIP   | PI FASE LI              | ST FOREIGN CHEQUES ON A |                        |                             |
|--------|---|-------------------------|-------------------------|------------------------|-----------------------------|
|        | ROYAL BANK  |                         | D CHEQUES               | DETAILS                | CASH (INCL COUPONS          |
|        |   | 1                       | VISA VOUCHER TOTAL      | X 2                    |                             |
|        |   | East End                |                         | X 5                    | 1                           |
|        | 1 1 2 2004  | Land                    | 1                       | X 10                   | 1                           |
|        | July 8, 2004  | Developeri              | 6,500.00                | X 20                   | 1                           |
|        | DEPOSITOR'S TELLER'S  |                         | 1                       | X 50<br>X 100          |                             |
|        | INITIALS INITIALS   |                         | 1                       | X 100                  |                             |
|        | PD MG   | 1                       | 1                       | COIN                   | 1                           |
|        | CREDIT ACCOUNT OF   |                         | 1                       | CANADIAN<br>CASH TOTAL |                             |
|        |   |                         | 6,500:00                | VISA &                 | 6.500 00                    |
|        | VALDEZ REALTY   | U.S.                    | 0,500,00                | CHQS<br>RATE           | 0,500 00                    |
|        |   | CHQS.<br>U.S.<br>CASH   | 1                       | RATE                   | I                           |
|        |   |                         | NET                     |                        | 6,500 00                    |
|        |   |                         | DEPOSIT                 | COMPARED               | WITH ORIGINAL DEPOS         |
|        |   |                         |                         |                        |                             |
|        | 1: 05337 3  | 123'498'6 51            |                         |                        |                             |
|        | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6  |                         |                         |                        | SLIP AS TO TOTAL ON         |
|        | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6<br>PHONE (905) 527-1223  | 5W3                     |                         | Ju                     | 614<br>614                  |
| PAY TO | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6<br>PHONE (905) 527-1223  | 5W3                     |                         | Ju                     | SLIP AS TO TOTAL ON         |
|        | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6  | 5W3                     |                         | Ju                     | 614<br>614<br>614<br>300.00 |
|        | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6<br>PHONE (905) 527-1223  | 5W3                     |                         | Ju                     | 614<br>614<br>614<br>300.00 |
| THE RO | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H (<br>PHONE (905) 527-1223<br>Hamilton Realton<br>OF<br>Whree bundred<br>YAL BANK OF CANADA                                       | 5W3                     | valdez realty           | <u>J.</u><br>\$        | 614<br>614                  |
| THE RO | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H G<br>PHONE (905) 527-1223<br>Hamilton Realton<br>OF<br>Three hundred<br>YAL BANK OF CANADA<br>MAIN BRANCH<br>D4 KING STREET WEST | in' A <i>ssociatios</i> | ~                       | <u>J.</u><br>\$        | 614<br>614<br>614<br>300.00 |

| 2 | 1 |   |
|---|---|---|
| 4 | 4 | • |

| ŀ. | VALDEZ REALTY<br>485 KING STREET WEST             |           |                 |        | 615             |
|----|---|-----------|-----------------|--------|-----------------|
|    | HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223 |           |                 | Ja     | uly 15 20 04    |
|    | PAY TO Pamela Dawson                              |           |                 | \$     | 350.00          |
|    | THE ORDER OF Three hundred fifty                  | , manne   | ·····           |        | 00 /100 DOLLARS |
|    | THE ROYAL BANK OF CANADA<br>MAIN BRANCH           |           |                 |        |                 |
|    | 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9 |           | VALDEZ REALTY   |        |                 |
|    | FOR Salary - July 1-15                            | -         | per <b>Juan</b> | Valdez |                 |
|    | II"000615 I: 05337                                | 123'498'6 |                 |        |                 |

|           | COMMISSION RE       | PORT      | DATE                 | July 17, 2004 |
|-----------|---------------------|-----------|----------------------|---------------|
| Name:     | Mr. Hans Hollemey   | er        |                      |               |
| Date      | Sales Description   | Sales No. | Commission<br>Amount |               |
| Jul 17/04 | Home at RR2, Site 3 | A1010     | \$2,400.00           |               |
|           |                     |           |                      |               |
| C005      |                     | Romarks P | ayment due August    | 10 2004       |

| CURRENT ACCOUNT                           |                       |                        |                        |  |
|---|-----------------------|------------------------|------------------------|--|
| DEPOSIT SLIP                              | PLEASE LIS            | T FOREIGN CHEQUES ON A | A SEPARATE D           | EPOSIT SLIP                                    |
| ROYAL BANK                                | VISA AND              | CHEQUES                | DETAILS                | CASH (INCL COUPONS)                            |
|   |                       | VISA VOUCHER TOTAL     | X 2                    | i  |
|   | B. Game               | 7.000 00               | X 5                    |  |
| 1 4 42 2004                               | 1                     |                        | X 10                   | 1  |
| July 18, 2004                             | 1                     | 1                      | X 20                   | l.   |
| Ó DATE                                    | 1                     | 1                      | X 50                   | 1  |
| DEPOSITOR'S TELLER'S<br>INITIALS INITIALS |                       | 1                      | X 100                  |  |
| PD PRL                                    |                       |                        | Х                      |  |
| 19 2202                                   | 1                     |                        | COIN                   |  |
| CREDIT ACCOUNT OF                         |                       | 1                      | CANADIAN<br>CASH TOTAL |  |
| VALDEZ REALTY                             |                       | 7.000:00               | VISA &<br>CHQS         | 7,000 00                                       |
|   | U.S.<br>CHOS.<br>U.S. | ,                      | RATE                   | ,  |
|   | U.S.<br>CASH          | 1                      | RATE                   | l  |
|   |                       | NET<br>DEPOSIT         |                        | 00 <sup>1</sup> 00,7                           |
| l: 05337 :                                | 123'498'6 51          |                        | COMPARED               | WITH ORIGINAL DEPOSIT<br>SLIP AS TO TOTAL ONLY |

| . VALDEZ  | REALTY<br>COMMISSION REPOR      | Г         | Date                 | e July 18, 2004 |
|-----------|---------------------------------|-----------|----------------------|-----------------|
| Name:     | Mr. and Mrs. Benjamin G         | ame       |                      |                 |
| Date      | Sales Description               | Sales No. | Commission<br>Amount |                 |
| Jul 18/04 | Building lot at 5004 King St. E | A1005     | \$7,000.00           | Paid in full.   |
|           |                                 |           |                      |                 |
|           | i                               |           |                      |                 |
|           |                                 |           |                      |                 |
| C006      |                                 | Remarks:  |                      |                 |

| VALDEZ REALTY<br>485 KING STREET WEST               | 616             |
|---|-----------------|
| V HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223 | July 22 20 04   |
| PAY TO Mustard Seed Ministrie                       | \$ 40.00        |
| THE ORDER OF  | 20              |
| non Forty nonnon                                    | 00/100 dollars  |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH             |                 |
| 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9   | VALDEZ REALTY   |
| FOR Aid to the poor                                 | PER Juan Valdez |
| II7000616 I: 05337                                  | 23'498'6        |

| AUTO<br>CITY<br>WEST          | 2674 King Street West<br>Hamilton, Ontario L9H 1A1<br>Phone (905) 527-9755; Fax (905) 527-97 | 756 INVO                          | INVOICE<br>DICE NO. WES3945<br>DATE: July 24/04<br>TERMS: Cash |
|-------------------------------|--|-----------------------------------|--|
| То:                           |  | Ship To:                          |  |
|                               | ez Realty<br>King Street West  | Pickup                            |  |
|                               | ilton, Ontario L9H 6W3   | Гіскар                            |  |
|                               |  |                                   | AMOUNT   |
| Ham                           | ilton, Ontario L9H 6W3   |                                   | AMOUNT<br>\$ 590.00  |
| Ham<br>QUANTITY               | ilton, Ontario L9H 6W3<br>DESCRIPTION  |                                   |  |
| Ham QUANTITY Make all cheques | DESCRIPTION<br>Z75 75,000 km maintenance<br>payable to Auto City West                        | UNIT PRICE                        | \$ 590.00  |
| Ham QUANTITY Make all cheques | DESCRIPTION<br>Z75 75,000 km maintenance   | UNIT PRICE                        | \$ 590.00  |
| Ham QUANTITY Make all cheques | DESCRIPTION<br>Z75 75,000 km maintenance<br>payable to Auto City West                        | UNIT PRICE<br>SUBTOTAL<br>FREIGHT | \$ 590.00  |

| 28b. | VALDEZ REALTY<br>485 KING STREET WEST                                      | 617             |
|------|--|-----------------|
|      | V         HAMILTON, ONTARIO L9H 6W3           PHONE (905) 527-1223         | July 24 20 04   |
|      | PAY TO Auto City West  | \$ 590.00       |
|      | THE ORDER OF Five bundred ninety monomous                                  | 00 /100 DOLLARS |
|      | THE ROYAL BANK OF CANADA<br>MAIN BRANCH                                    |                 |
|      | 204 KING STREET WEST     VALDEZ REALTY       HAMILTON, ONTARIO     L9H 4Z9 |                 |
|      | FOR Automobile repairs - Inv. WES3945 PER Juan                             | Valdez          |
|      | II"000617 I: 05337 123'498'6   |                 |

|     | VALDEZ REALTY<br>485 KING STREET WEST<br>HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223 |           | 618<br>July 28 20 04 |
|-----|--|-----------|----------------------|
| PAY | 1 1 4 4 4  |           | \$ 1,800.00          |
|     | NDER OF<br>Mar One thousand eight  | hundred   |                      |
| Т   | HE ROYAL BANK OF CANADA<br>Main branch   |           |                      |
|     | 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9  |           | VALDEZ REALTY        |
| FOR | Withdrawal   |           | per Juan Valdez      |
|     | II"000618 I: 05337   | 123'498'6 | 3                    |

|               | VALDEZ REALTY<br>485 KING STREET WEST                            |           |        |             | 619                        |
|---------------|--|-----------|--------|-------------|----------------------------|
|               | HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223                |           |        |             | July 30 20 04              |
| РАУ ТО        | amela Dawson   |           |        | \$          | 350.00                     |
| THE ORDER OF  | Three hundred fifth  | y man     |        |             | 00/100 DOLLARS             |
| MA<br>204 KIN | BANK OF CANADA<br>IN BRANCH<br>IG STREET WEST<br>ONTARIO L9H 4Z9 |           | VALDEZ | REALTY      |                            |
| FOR Salar     | <u>y - July 16-31</u>  | _         | PER    | Juan Valdez |                            |
|               | "000619 I: 05337   | 123'498'6 |        |             |                            |
| 31a.          |  |           |        | //2110.Qu   |                            |
|               | Phones   |           |        | ,           | I Place<br>Ontario L9G 4B4 |

| Ontario  |                                  |                      | (905) 529-7190<br>)5) 529-0063       |        |
|--|----------------------------------|----------------------|--------------------------------------|--------|
|  | Your State                       | ement                |                                      |        |
| In Account with                                  | VALDEZ REALTY<br>485 KING STREET |                      | Payment<br>receíved July<br>30, 2004 | ,      |
| Account #09444 710-190                           | HAMILTON ON L9                   | H 6W3                | Phones                               |        |
| Billing Period: July 1 to Jul                    | y 31                             |                      | Ontario                              |        |
| Payments/Adjustments/Depo                        | osits Details                    |                      | \$5                                  | 10.00  |
| Payment Received July 2. T                       | hank you.                        |                      | -5                                   | 10.00  |
|  | M                                | onthly rental and se | ervices                              | 236.00 |
| Amount now due<br>Payment due after August 10, 2 | 001 \$241.90                     | Tot                  | al Due \$2                           | 236.00 |
|  |                                  |                      |                                      |        |

| VALDEZ REALTY<br>485 KING STREET WEST             | 620                 |
|---|---------------------|
| HAMILTON, ONTARIO L9H 6W3<br>PHONE (905) 527-1223 | July 30 20 04       |
| PAY TO Phones Ontario                             | \$ 236.00           |
| THE ORDER OF Two hundred thirty                   | -ix 00 /100 DOLLARS |
| THE ROYAL BANK OF CANADA<br>MAIN BRANCH           |                     |
| 204 KING STREET WEST<br>HAMILTON, ONTARIO L9H 4Z9 | VALDEZ REALTY       |
| FOR July phone bill                               | PER Juan Valdez     |
| II7000620 I: 05337                                | 123'498'6           |

|                    | 85 Main Street, Hamilto<br>Phone (905) 527-1030              |                                    |                                      |
|--------------------|--|------------------------------------|--------------------------------------|
|                    | ΙΝΥΟ   | ICE                                |                                      |
| SOLD TO:           | Valdez Realty<br>485 King Street West<br>Hamilton ON L9H 6W3 | Invoice No.:<br>Date:<br>Due Date: | 5400<br>July 27, 200<br>August 4, 20 |
|                    |  |                                    |                                      |
| DATE               | DESCRIPTION  |                                    | AMO                                  |
| DATE<br>July 27/04 | DESCRIPTION<br>Advertising in City News dur                  |                                    | AMC<br>\$1,4                         |
|                    |  |                                    | \$1,4                                |

## Required Work for July

- **1.** Journalize transactions in a general journal (pages 4 and 5) and post to ledger accounts.
- **2.** Prepare a trial balance in the first two columns of the worksheet and complete the worksheet using the following adjustment data:
  - **a.** One month's rent had expired.
  - b. An inventory shows \$90 worth of office supplies remaining.
  - c. Amortization on office equipment, \$100
  - **d.** Amortization on automobile, \$200
- **3.** Prepare a July income statement, statement of owner's equity, and balance sheet.
- **4.** From the worksheet, journalize and post adjusting and closing entries (page 6 of journal).
- **5.** Prepare a post-closing trial balance.

# COMPUTERIZED ACCOUNTING APPLICATION FOR VALDEZ REALTY MINI PRACTICE SET (CHAPTER 5)

# **Closing Process and Post-Closing Trial Balance**

**B** efore starting on this assignment, read and complete the tasks discussed in Parts A, B, and F of Appendix B: Computerized Accounting at the back of this book and complete the Computerized Accounting Application assignments at the end of Chapter 3 and 4.

This comprehensive review problem requires you to complete the accounting cycle for Valdez Realty twice. This will allow you to review Chapters 1 to 5 while reinforcing the relationships among all parts of the accounting cycle. By completing two cycles, you will see how the ending June balances in the ledger are used to accumulate data in July. You may refer to the facsimile documents shown beginning on page XXX as you complete this workshop.

# PART A The June Accounting Cycle

On June 1, Juan Valdez opened a real estate office called Valdez Realty.

- **1.** Start Simply Accounting<sup>©</sup>.
- 2. Choose Select an existing company, then enter the following path: d:\student\valdez (if you are storing your student data files on drive D, otherwise substitute the correct drive letter for "d")
- **3.** Click **Open**; enter 6/30/04 into the **Session** text box; then click **OK**. Click **OK** in response to the message "The date entered is more than one week past your previous **Session** date of 6/1/04." The Home (or Company) Window for Valdez will appear.
- 4. Click the Company Window Setup menu; then System Settings; and finally Company Information. The Company Information dialogue box will appear. Insert your name in place of the text "Your Name" in the Name text box. Click OK to return to the Company Window. Your instructor may suggest you do a File: Save As procedure here (using a different file name) to make it easier to start over if a mistake is made later on.
- **5.** Open the General Journal dialogue box; then record the following journal entries (enter Memo into the **Source** text box for each transaction; then enter the date listed for each transaction):

2004

- June 1 Juan Valdez invested \$18,000 cash in the real estate agency along with \$3,000 in office equipment.
  - 1 Rented office space and paid three months rent in advance, \$2,100. Cheque #601.
  - 1 Bought a company automobile, \$12,000. Cheque #602.
  - 4 Purchased office supplies, \$300. Cheque #603
  - 5 Purchased additional office supplies on account, \$150.
  - 6 Sold a house and collected a \$6,000 commission.
  - 8 Paid gas bill for car, \$22. Cheque #604.
  - 15 Paid the salary of the office secretary, \$350. Cheque #605.
  - 17 Sold a building lot and earned a commission, \$6,500. Expected receipt 7/8/04.
  - 20 Juan Valdez withdrew \$1,000 from the business to pay personal expenses. Cheque #606.
  - 21 Sold a house and collected a \$3,500 commission.
  - 22 Paid gas bill for car, \$25. Cheque #607.
  - 24 Paid \$600 to repair automobile. Cheque #608.
  - 30 Paid the salary of the office secretary, \$350. Cheque #609.

Open the company data files

Add your name to the company name

**Record June transactions** 

|  | <ul> <li>Paid the June telephone bill, \$510. Cheque #610.</li> <li>Received advertising bill for June, \$1,200. The bill is to be paid on 7/2/04.</li> </ul>   |
|--|---|
| Print reports.                                 | 6. After you have posted each of the journal entries, close the General Journal; then print the following reports:  |
|  | <ul> <li>a. General Journal (By posting date, All ledger entries; Start: 6/1/04, Finish: 6/30/04).</li> <li>b. Trial Balance As at 6/30/04.</li> </ul>  |
|  | Review your printed reports. If you have made an error in a posted journal entry, see<br>"Reversing an Entry Made in the General Journal Dialogue Box" in Part C of<br>Appendix B: Computerized Accounting for information on how to correct the error.                   |
| Record June adjusting entries.                 | <b>7.</b> Open the General Journal; then record adjusting journal entries based on the following adjustment data ( <i>Source:</i> Memo; <i>Date:</i> 6/30/04; <i>Comment:</i> Adjusting entry):   |
|  | <b>a.</b> One month's rent has expired.   |
|  | <b>b.</b> An inventory shows \$50 of office supplies remaining.   |
|  | <ul><li>c. Amortization on office equipment, \$100.</li><li>d. Amortization on automobile, \$200.</li></ul>   |
| Print reports.                                 | <ul><li>8. After you have posted the adjusting journal entries, close the General Journal; then</li></ul>   |
|  | print the following reports:  |
|  | <ul> <li>a. General Journal (By posting date, All ledger entries, Start: 6/1/04, Finish 6/30/04).</li> <li>b. Trial Balance As at 6/30/04.</li> </ul>   |
|  | c. General Ledger Report (Start: 6/1/04, Finish: 6/30/04, Select All).  |
|  | <ul><li>d. Income Statement (Start: 6/1/04, Finish: 6/30/04).</li><li>e. Balance Sheet As at 6/30/04.</li></ul>   |
|  | Review your printed reports. If you have made an error in a posted journal entry, see   |
|  | "Reversing an Entry Made in the General Journal Dialogue Box" in Part C of  |
|  | Appendix B: Computerized Accounting for information on how to correct the error.  |
| How to close the accounting records            | <b>9.</b> <i>Simply</i> Accounting has the capability of performing the first three steps of the closing process automatically.   |
|  | Done <b>Step 1:</b> Clear Revenue balance and transfer to Income Summary.   |
|  | by the by the Income Summary  |
|  | <b>Step 3:</b> Clear balance in Income Summary and transfer it to Capital.  |
|  | It does not have the capability of performing the fourth step of the closing process automatically, so you will need to record this closing journal entry.  |
|  | You need to   |
|  | record this closing entry <b>Step 4:</b> Clear the Withdrawals balance and transfer it to Capital.  |
| Record entry to close<br>Withdrawals account.  | <ol> <li>Open the General Journal; then record the closing journal entry for Juan Valdez's<br/>Withdrawals account.</li> </ol>  |
|  | 11. After you have posted the closing entry for Juan Valdez's Withdrawals account, close the General Journal to return to the Company Window.   |
| Make a backup copy of June accounting records. | 12. Click the Company Window File menu; click <b>Save as</b> ; then enter the following new file name into the <b>File name</b> text box: d:\student\valdjune.  |
|  | 13. Click Save. Note that the company name in the Company Window has changed from   |
|  | Valdez to Valdjune. Click the Company Window File menu again; then click Save As. Enter the following new file name into the File name text box: d:\stu-  |
|  | dent/valdez.  |
|  | 14. Click <b>Save</b> . Click <b>Yes</b> to confirm that you want to replace the existing file. Note that the company name in the Company Window has changed back from Valdjune to Valdez.  |
|  | <ol> <li>You now have two sets of company data files for Valdez Realty on hard disk. The</li> </ol>   |
|  | current data is stored under the file name valdez.asc. The backup data for June is stored under the file name valdjune.asc.   |
| Important information about the                | 16. The next instruction will ask you to advance the <b>Session</b> date to a new month. It is this   |
| closing process                                | procedure that instructs the program to complete the first three steps in the closing process. It is important that you make a backup copy of a company data files prior to advancing the <b>Session</b> date to a new month. When you advance the <b>Session</b> date to |
|  |   |

|   | a first new month of a new fiscal year, the program will permanently remove all jour-<br>nal entries from all journals and all individual postings of journal entries to the gen-<br>eral ledger accounts. You will find it difficult to display or print a General Journal<br>or General Ledger report based on dates in the prior month, and you will not be<br>able to record journal entries for dates in the prior month. If for some reason you<br>need to print a General Journal or General Ledger, or record a transaction that oc-<br>curred in the prior month, you can do so by using the backup copy of the company's<br>data files that you created prior to advancing the <b>Session</b> date. See Part E of Appendix                          |
|---|---|
|   | B: Computerized Accounting at the end of this book for information on how and when to use a backup copy of a company's data files.  |
| How to advance the Session Date                             | <ul> <li>17. Click the Company Window Maintenance menu; then click Change Session Date. Click No in response to the question "Would you like to back up now?" Enter 7/1/04 into the New Session text box; then click OK. Click OK in response to the message "You have entered both a new calendar quarter and a new fiscal year. If you proceed, the program will zero all employees' quarter-to-date payroll information, move the current year's data into last year, close all Revenue and Expense account balances into the Retained Earnings integration account, and set the new fiscal year's dates. Print all employee reports and make a backup before proceeding."</li> </ul>  |
|   | 18. The warning message stated that the revenue and expense accounts would be closed to an account titled Retained Earnings. This is the account that corporations use to accumulate earnings. Valdez Realty is a sole proprietorship, and the program will correctly close the revenue and expense accounts to Income Summary and close Income Summary to the Juan Valdez, Capital, account even though the message used a different account name. The backup you created using the Save As method will serve as the backup suggested in the warning message.  |
| Print a Post-closing Trial Balance.                         | <b>19.</b> Print a Post-Closing Trial Balance As at 7/1/04.   |
| Exit from the program.                                      | <b>20.</b> Click the Company Window <b>File</b> menu; then click <b>Exit</b> to end the current work session and return to your Windows desktop.  |
| Complete the report transmittal.                            | 21. Complete the Valdez Realty Report Transmittal for June located in Appendix A of your  |
|   | Study Guide with Working Papers.  |
|   | PART B The July Accounting Cycle  |
| Open the company data files.                                |   |
| Open the company data files.                                | <ul> <li>PART B The July Accounting Cycle</li> <li>1. Start Simply Accounting<sup>©</sup>.</li> <li>2. Choose Select an existing company, then enter (or choose) the following path:<br/>d:\student\valdez (if you are storing your student data files on drive D, oth-</li> </ul>  |
| Open the company data files.<br>Modify the Fiscal End date. | <ol> <li>PART B The July Accounting Cycle</li> <li>Start Simply Accounting<sup>©</sup>.</li> <li>Choose Select an existing company, then enter (or choose) the following path:<br/>d:\student\valdez (if you are storing your student data files on drive D, otherwise substitute the correct drive letter for "d")</li> <li>Click Open; enter 7/31/04 into the Session text box; then click OK. Click OK in response to the message "The date entered is more than one week past your previous</li> </ol>  |
|   | <ol> <li>PART B The July Accounting Cycle</li> <li>Start Simply Accounting<sup>©</sup>.</li> <li>Choose Select an existing company, then enter (or choose) the following path:<br/>d:\student\valdez (if you are storing your student data files on drive D, otherwise substitute the correct drive letter for "d")</li> <li>Click Open; enter 7/31/04 into the Session text box; then click OK. Click OK in response to the message "The date entered is more than one week past your previous Session date of 7/1/04." The Company Window for Valdez Realty will appear.</li> <li>Click the Company Window Setup menu; then System Settings; and finally Company Information. The Company Information dialogue box will appear. Enter 7/31/04 as</li> </ol> |

|  | <ul> <li>Sent a cheque for \$40 to help sponsor a local road race to aid the poor. (This is not to be considered an advertising expense, but it is a business expense.)</li> <li>Paid for repairs to automobile, \$590. Cheque #617.</li> <li>Juan Valdez withdrew \$1,800 from the business to pay personal expenses. Cheque #618.</li> <li>Paid the salary of the office secretary, \$350. Cheque #619.</li> <li>Paid the July telephone bill, \$590. Cheque #620.</li> </ul> |
|--|---|
|  | 30 Advertising bill for July, \$1,400. The bill is to be paid in August.  |
| Print reports.                                 | <b>6.</b> After you have posted each of the journal entries, close the General Journal; then print the following reports:   |
|  | <ul><li>a. General Journal (By posting date, All ledger entries, Start; 7/1/04, Finish: 7/31/04).</li><li>b. Trial Balance As at 7/31/04.</li></ul>   |
|  | Review your reports. If you have made an error in a posted journal entry, see "Reversing<br>an Entry Made in the General Journal Dialogue Box" in Part C of Appendix B:<br>Computerized Accounting for information on how to correct the error.   |
| Record July adjusting entries.                 | 7. Open the General Journal; then record adjusting journal entries based on the fol-<br>lowing adjustment data ( <i>Source</i> : Memo; <i>Date</i> : 7/31/04; <i>Comment</i> : Adjusting entry):  |
|  | a. One month's rent has expired.  |
|  | <ul><li>b. An inventory shows \$90 of office supplies remaining.</li><li>c. Amortization on office equipment, \$100.</li></ul>  |
|  | d. Amortization on automobile, \$200.   |
| Print reports.                                 | <b>8.</b> After you have posted the adjusting journal entries, close the General Journal; then print the following reports:   |
|  | <ul><li>a. General Journal (By posting date, All ledger entries, Start: 7/1/04, Finish: 7/31/04).</li><li>b. Trial Balance As at 7/31/04.</li></ul>   |
|  | c. General Ledger Report (Start: 7/1/04, Finish: 7/31/04, Select All).  |
|  | <ul><li>d. Income Statement (Start: 7/1/04, Finish: 7/31/04).</li><li>e. Balance Sheet As at 7/31/04.</li></ul>   |
|  | Review your reports. If you have made an error in a posted journal entry, see "Reversing<br>an Entry Made in the General Journal Dialogue Box" in Part C of Appendix B:<br>Computerized Accounting for information on how to correct the error.   |
| Record entry to close                          | 9. Record the closing journal entry for Juan Valdez's Withdrawals account.  |
| Withdrawals account.                           | <ol> <li>After you have posted the closing entry for Juan Valdez's Withdrawals account, close<br/>the General Journal to return to the Company Window.</li> </ol>   |
| Make a backup copy of July accounting records. | 11. Click the Company Window File menu; click <b>Save As</b> ; then enter the following new file name into the File name text box: d:\student\\valdjuly.  |
|  | 12. Click <b>Save</b> . Note that the company name in the Company Window has changed from Valdez to Valdjuly. Click the Company Window <b>File</b> menu again; then click <b>Save As</b> . Enter the following new file name into the <b>File name</b> text box: d:\student\valdez.   |
|  | <b>13.</b> Click <b>Save</b> . Click <b>Yes</b> in response to the question "Replace existing data files?" Note that the company name in the Company Window has changed back from Valdjuly to Valdez.   |
|  | <b>14.</b> You now have three sets of company data files for Valdez Realty on your hard disk. The current data is stored under the file name <i>valdez</i> . The backup data for June is stored under the file name <i>valdjune</i> and the backup data for July is stored under the file name <i>valdjuly</i> .  |
| Advance the Session Date.                      | <b>15.</b> Click the Company Window <b>Maintenance</b> menu; then click <b>Advance session date</b> . Click <b>No</b> in response to the question "Would you like to back up now?" Enter 8/1/04 into the <b>New Session Date</b> text box; then click <b>OK</b> . Click <b>OK</b> in response to the warning message. The backup you created using the Save As method will serve as the backup suggested in the warning message.  |
| Print a Post-Closing Trial Balance.            | 16. Print a Post-Closing Trial Balance As at 8/1/04.  |
| Exit from the program.                         | <ol> <li>Click the Company Window File menu; then click Exit to end the current work session and return to your Windows desktop.</li> </ol>   |
| Complete the Report Transmittal.               | <b>18.</b> Complete the Valdez Realty Report Transmittal for July located in Appendix A of your <i>Study Guide with Working Papers</i> .  |
|  |   |