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

RECORDING 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 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 31 31 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	4 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, DTP Equipment																(C)	8	3 0	00	
Salaries Payable																(D) 3	35	5 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 114 600	Office Supplies Expense 514
After posting:	Office Supplies 114 600 500	Office Supplies Expense 514 500
Adjustment B		
Before posting:	Prepaid Rent 115 1,200	Rent Expense 515
After posting:	Prepaid Rent 115 1,200 400	Rent Expense 515
Adjustment C		
Before posting:	Amortiza	tion Accumulated
Desktop Publis Equipment 1 6,000	hing Expense,	DTP Amortization,
After posting:		
Desktop Publis Equipment 1 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 Expense 511 650 650	Salaries Payable 212
After posting:	Office Salaries Expense 511	Salaries 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.*)

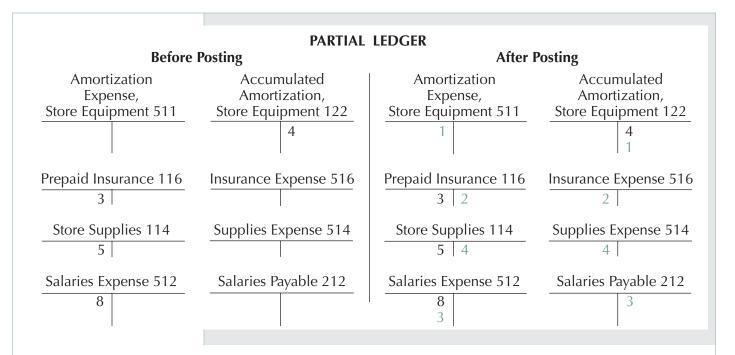
Turn to the worksheet of P. Logan Company (p. 140) and (1) journalize and post the adjusting entries and (2) compare the adjusted ledger accounts before and after the adjustments are posted. T accounts with beginning balances are provided in your *Study Guide*.

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.

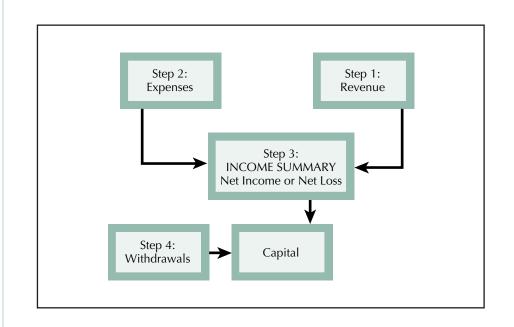


FIGURE 5-3 Four Steps in Journalizing Closing Entries

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	3 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 Equipment 516 80
	The income statement section of the works we want to reduce each expense to zero, each The following is the journalized closing en	one must be credited.
The \$3,100 is the total of the	31 Income Summary	313 3 1 0 0 00
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 1,650 650 350 Telephone Expense 513 O 220 Closing 220	250 Closing 250 ffice Supplies Expense 514 500 Closing 500
	Rent Expense 515	mortization Expanse 516
	· · · · · · · · · · · · · · · · · · ·	Amortization Expense 516
	400 Closing 400	80 Closing 80
Remember, the worksheet is a tool. The accountant realizes that the information about the total of the expenses will be transferred to Income Summary.	Income Summa Expenses Rev Step 2 3,100 8,0	/enue
	Step 3: Clear Balance in Income Summa 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 10,000
	Note that the balance of Income Summary (Re \$3,100) is \$4,900. That is the amount we mu 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 — 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 2004	Account Title and Description	Post. 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 GENERA				ERV	ICE	S						
Cash											Acc	ount	N	о.	111
Dat 200		Explanation	Post. Ref.		Del	bit		Cr	ed	it	DR or 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. 11	12			
Da 200 May)4	Ex	planat	tion		Post. Ref. GJ1		Deb	it 0 00		Crea	lit		DR or CR DR		Balar 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 CR		alan	_			
			Adjusti	ng			GJ1 GJ2		600	00	4	50(00		OR OR			0 00 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>/ DR</td><td>Acct</td><td>. No</td><td>b. 11.</td><td>5</td><td></td></t<>		Rent				-								Г	/ DR	Acct	. No	b. 11.	5	
			E	Expla	nation		Pc Re	ost. ef.	E	Debit		(Crea	dit		or CR	Ba	alan	ce		
			1					J1	12	200	00					DR	1	20	00		
		3	1 Adj	ustin	g		G	J2				4	£0	00 0	L	DR		80	0 00		
							_														
		Des	sktop I	Publi	shing Equi	pmen	t										/	Acct	. No	. 121	
			Date					Po	ost.								R or				
			004 v 1	E:	xplanation				ef. J1		ebit 00			Crec	it	0 D	R		alano 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 Da 200	te 04	Explana		n, De	eskto	Po	ublis ost. ef.		; Equ Debit	· ·		Crea	lit		DR		. No. alance	e l
			Da	te 04			n, De	eskto	Po R	ost.		•	· ·		Crea	lit 00	(
			Da ⁻ 200	te 04	Explana		n, De	eskto	Po R	ost. ef.		•	· ·		Crea	_	(DR or CR		alance	
			Da ⁻ 200	te 04	Explana		n, De	eskto	Po R	ost. ef.		•	· ·		Crea	_	(DR or CR		alance	
			Da ⁻ 200	te 04	Explana		n, De	eskto	Po R	ost. ef.		•	· ·		Crea	_	(DR or CR		alance	
			Da 200 May	te 04 31	Explana	ition	n, De	eskto	Po R	ost. ef.		•	· ·		Crea	_	(DR or CR	Ba	alance 80	
			Da 200 May	te 04 31 Acco	Explana Adjusting unts Payab te	ole		eskto	Po R	ost. ef. GJ2	Dist.				Crec 80			DR or CR CR	DR	alance 80 Acct.	00 No. 2
			Da 200 May	te 04 31 Acco Dat 200	Explana Adjusting unts Payab te D4 Exp	ition			Po R	ost. ef. JJ2 Po R	Dost.		· ·		Crec 80	Crec	dit	DR Dr CR CR	Ba DR or CR	alance 80 Acct. Ba	No. 2
			Da 200 May	te 04 31 Acco	Explana Adjusting unts Payab te)4 Exp 1	ole		eskto	Po R	pst. ef. GJ2 Pa R C	Dost. ef.				Crece	Crec 0 0 0		DR or CR CR	Ba DR or CR CR	Acct. Ba	00 No. 2 lance 000
			Da 200 May	te 04 31 Acco Dat 200	Explana Adjusting unts Payab te D4 Exp	ole		eskto	Po R	Performance Perfor	Dost.				Crec 80	Crec	dit 000		Ba DR or CR	Acct. Ba 5 0	No. 2

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

(FIGURE 5-5 cont.)

Da 200		F	yn	lanat	tion		Pos Ref	t.	D	ebi	t		Cr	edi	it		DR or 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 Ref.	•	Г)ebi	t		С	rec	lit		or CR		Ba	lan	Ce				
N					arrat			GJ2				00						DR				00	0			
			Clo	osing	5			GJ2						2	2 (00				-	- 0	_				
														_					-							
										_				-						_						
- E	Date 2004 May 29 31 31 0 0 0 0 0 0 0 0 0 0 0 0 0																									
	0	ffice	e Su	ppli	es E	xpense														A	cct	. N	о.	514	ł	
	D 20				1				Pos		r	.				~	1:4		DR or		п					
					zxpia justi	anation			Ref GJ2		_	Debi 5 0 0	_		(Crec	JIT		CR DR	+		alaı 50	_			
	1.	_	31		sing				GJ2		_	, , ,)	4	500	00					-0		00		
	Off E 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 0 -	00	
				51	Clo	sing			-	G	J2					2	1 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 200		Explana	ation				F	ost. lef.		De	ebit	t		Cre	dit			or 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)



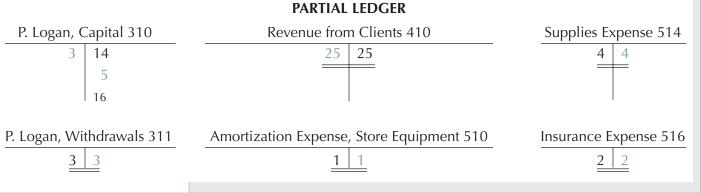
SELF-REVIEW QUIZ 5-2

(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> No calculations are needed in	P. Logan Net Inco	-	\$5	\$14	
the closing process. All numbe come from the worksheet. Income summary is a tempora account in the ledger.	rs Less: Wi ry Increase	thdrawals in Capital , Capital (ending)	3	2 \$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.

PREPARING 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
1. Business transactions occur and generate source documents.	Source documents are cash register tapes, sales tickets, bills, cheques, payroll cards, etc.
2. Analyze and record business transactions into a journal.	↓ Called journalizing
\downarrow	Ŷ
3. Post or transfer information from journal to ledger.	Copying the debits and credits of the journal entries into the ledger accounts
\downarrow	\downarrow
4. Prepare a trial balance.	Summarizing each individual ledger account and listing these accounts and their balances to test for mathematical accuracy in recording transactions
\downarrow	Ļ
5. Prepare a worksheet.	A multicolumn form that summarizes accounting information to complete 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
9. 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 POST-CLOSING TRIAL BALANCE 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 Office Supplies Prepaid Rent Desktop Publishing Equipment Accumulated Amortization, Desktop Publishing Equipment Accounts Payable Salaries Payable 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. 2	Cash Office Equipment R. Kern, Capital	Asset Asset Capital	^	Dr. Dr. Cr.	\$1,200 \$ 100 \$1,300
Jan. 2	Prepaid Rent Cash	Asset Asset	1 ↓	Dr. Cr.	\$ 300 \$ 300

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

ROLO COMPANY

		ADJUSTMEN	ITS			
The amount of office supplies on hand (\$6) is <i>not</i> the adjustment. Need to calculate amount used	Office Supplies Expense Office Supplies	Expense Asset	↑ ↓	Dr. Cr.	\$ 34 \$ 34	(\$40 - \$6)
up.						
Expired	Rent Expense Prepaid Rent	Expense Asset	↑ ↓	Dr. Cr.	\$100 \$100	
Do not touch original cost of equipment.	Amort. Exp., Office Equip. Accum. Amort., Office Equip.	Expense Asset (Contra)	↑ ↓	Dr. Cr.	\$ 20 \$ 20	
			_			
Owed but not paid	Salaries Expense Salaries Payable	Expense Liability	↑ ↑	Dr. Cr.	\$50 \$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 INCOME STAT 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/ STATEMENT OF OWN 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 ANCE SHEET JARY 31, 2004										
Assets									Liabilities and Owner's Equity										Ī
Cash				\$1	l 1	8	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	\$ 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				\$ 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 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 Office Supplies Expense	512		3400
Closing 🖌	-				514		
	-			Rent Expense 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 Date		Post.			DR	Acci. No. 111	Rolo Kern, Capital	Deat			DR	Acct. N
2004	Explanation	Ref.	Debit	Credit	or CR	Balance	2004 Explanation	Post. Ref.	Debit	Credit	or 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 or 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 or CR	Balance						
2004 an. 14	Explanation	Ref. GJ1	10000	Cleuit	DR.	10000						
		- Oji	10000		DR.	10000						
							Income Summary			11		Acct. N
							Date	Post.	D-hit	Curdit	DR or CR	
							2004 Explanation	Ref.	Debit	Credit		Balar
repaid R	Rent					Acct. No. 114	Jan. 31 Closing 31 Closing	GJ2	33400	50000	CR. CR.	50 16
· ·		D. (DR		31 Closing	GJ2 GJ2	16600		CR.	-0
Date 2004	Explanation	Post. Ref.	Debit	Credit	or 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 or 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. CR.	Balar
							2004 Explanation					Daidi
Date		Port			DB		2004 Explanation	Ref.		Credit		6
Date 2004	Explanation	Post. Ref.	Debit	Credit	DR. CR.	Balance	Jan. 16 Closing	GJ1	6000 5000		DR. DR.	
2004 Jan. 2	•		Debit 10000	Credit					6000	11000	DR.	11
2004	•	Ref.		Credit	CR.	Balance 10000 15000	Jan. 16 Closing 31 Adjusting	GJ1 GJ2	6000		DR.	11
2004 Jan. 2	•	Ref. GJ1	10000	Credit	CR. DR.	Balance	Jan. 16 Closing 31 Adjusting	GJ1 GJ2	6000		DR.	11
2004 Jan. 2	•	Ref. GJ1	10000	Credit	CR. DR.	Balance 10000 15000	Jan. 16 Closing 31 Adjusting 31 Closing	GJ1 GJ2	6000		DR. DR.	11
2004 Jan. 2 4		Ref. GJ1 GJ1		Credit	CR. DR.	Balance 10000 15000	Jan. 16 Closing 31 Adjusting 31 Closing	GJ1 GJ2 GJ2	6000		DR. DR.	11
2004 Jan. 2 4	•	Ref. GJ1 GJ1 e Equipm		Credit	CR. DR. DR.	Balance 10000 15000	Jan. 16 Closing 31 Adjusting 31 Closing	GJ1 GJ2	6000		DR. DR.	1 1 - 0 Acct. No
2004 Jan. 2 4		Ref. GJ1 GJ1		Credit	CR. DR. DR.	Balance 10000 15000	Jan. 16 Closing 31 Adjusting 31 Closing Advertising Expense Date	GJ1 GJ2 GJ2		11000	DR. DR.	1 1 – 0 Acct. No Balan
2004 Jan. 2 4 Accumula Date 2004	ated Amortization, Offic	e Equipm Post.	10000 5000		CR. DR.	Balance	Jan. 16 Closing 31 Adjusting 31 Closing 31 Closing Advertising Expense Date 2004 Explanation	GJ1 GJ2 GJ2 Post. Ref.	6000 5000	11000	DR. DR. DR. CR.	Acct. No Balan
2004 Jan. 2 4 Acccumula Date 2004	ated Amortization, Offic Explanation	e Equipm Post. Ref.	10000 5000	Credit	CR. DR. DR.	Balance	Jan. 16 Closing 31 Adjusting 31 Closing	GJ1 GJ2 GJ2 Post. Ref. GJ1	6000 5000	11000 Credit	DR. DR. DR. CR.	Acct. No Balan
2004 Jan. 2 4 Sccumula Date 2004	ated Amortization, Offic Explanation	e Equipm Post. Ref.	10000 5000	Credit	CR. DR. DR.	Balance	Jan. 16 Closing 31 Adjusting 31 Closing	GJ1 GJ2 GJ2 Post. Ref. GJ1	6000 5000	11000 Credit	DR. DR. DR. CR.	Acct. No Balan
2004 Jan. 2 4 Sccumula Date 2004	ated Amortization, Offic Explanation	e Equipm Post. Ref.	10000 5000	Credit	CR. DR. DR.	Balance	Jan. 16 Closing 31 Adjusting 31 Adjusting 31 Closing Date 2004 Explanation Jan. 18 31 Closing	GJ1 GJ2 GJ2 Post. Ref. GJ1	6000 5000	11000 Credit	DR. DR. CR. CR. DR.	11 - 0 Acct. No Balar 7 - 0
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment	e Equipm Post. Ref.	10000 5000	Credit	CR. DR. DR.	Balance 10000 15000 Acct. No. 122 Balance 2000	Jan. 16 Closing 31 Adjusting 31 Closing 31 Closing Date 2004 2004 Explanation Jan. 18 31 Closing 31 Closing	Gj1 Gj2 Gj2 Post. Ref. Gj1 Gj2	6000 5000	11000 Credit	DR. DR. CR. DR. CR.	11 - 0 Acct. No Balar 7 - 0
2004 an. 2 4 	ated Amortization, Offic Explanation	e Equipm Post. Ref. Gj1 Gj1 Gj2	10000 5000	Credit	CR. DR. DR. or CR CR.	Balance	Jan. 16 Closing 31 Adjusting 31 Closing Advertising Expense Date 2004 Explanation Jan. 18 31 Closing	G11 G12 G12 G12 Fost. Ref. G11 G12 G12 G12 G12 G12 G12 G12 G12 G12	6000 5000 Debit 7000	Credit	DR. DR. CR. DR. CR. DR. CR.	Acct. No
2004 an. 2 4 .cccurta Date 2004 an. 31 	ated Amortization, Office Explanation Adjustment : Payable	e Equipm Post. Ref. Gj1 Gj1 Gj2	100000 5000	Credit	CR. DR. DR. or CR 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 G)2 G)2 F C)2 G)2 F C)2 G)2 G)1 G)2 G)2 F C)2 G)2 G)2 G)2 G)2 F C)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G	6000 5000 Debit 7000 Debit	11000 Credit	DR. DR. CR. DR. CR. DR. CR.	Acct. No Balar 7 – 0 Acct. No Balar
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1 G]1 e Equipm Post. Ref. G]2 Post. Ref.	10000 5000	Credit Credit	CR. DR. DR. or CR 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 5000 Debit 7000	Credit	DR. DR. CR. DR. CR. DR. CR.	1 1 - 0 Acct. No Balan 7 - 0 Acct. No Balan 1 0
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	e Equipm Post. Ref. Gj1 Gj1 Gj2	100000 5000	Credit	CR. DR. DR. or CR 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 G)2 G)2 F C)2 G)2 F C)2 G)2 G)1 G)2 G)2 F C)2 G)2 G)2 G)2 G)2 F C)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G)2 G	6000 5000 Debit 7000 Debit	Credit	DR. DR. CR. DR. CR. DR. CR.	Acct. No Balar 7 -0 Acct. No Balar
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1 Post. Ref. G]2 Post. Ref. G]2 Sef. G]1	100000 5000	Credit 2000 Credit 5000	CR. DR. DR. CR CR CR. DR CR.	Balance 10000 15000 Acct. No. 122 Balance 2000 Acct. No. 211 Balance 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 5000 Debit 7000 Debit	Credit	DR. DR. CR. DR. CR. DR. CR.	Acct. No Balar 7 -0 Acct. No Balar
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1 Post. Ref. G]2 Post. Ref. G]2 Sef. G]1	100000 5000	Credit 2000 Credit 5000	CR. DR. DR. CR CR CR. DR CR.	Balance 10000 15000 Acct. No. 122 Balance 2000 Acct. No. 211 Balance 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 5000 Debit 7000 Debit	Credit	DR. DR. CR. DR. CR. DR. CR.	Acct. No Balar 7 -0 Acct. No Balar
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1 Post. Ref. G]2 Post. Ref. G]2 Sef. G]1	100000 5000	Credit 2000 Credit 5000	CR. DR. DR. CR CR CR. DR 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 5000 Debit 7000 Debit	Credit	DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	1 1 Acct. No Balar 7 -0 Acct. No Balar 10 -0
2004 an. 2 4 	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. GJ1 For a construction of the second se	100000 5000	Credit 2000 Credit 5000	CR. DR. DR. CR. CR. CR. CR. CR. CR.	Balance 10000 15000 Acct. No. 122 Balance 2000 Acct. No. 211 Balance 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 00	1 1 0 00	DR. DR. CR. DR. CR. DR. DR.	1 1 - 0 Acct. No Balar 7 - 0 - Acct. No Balar 1 0 - 0
2004 Jan. 2 4 2004 2004 Jan. 31 2004 Jan. 31 2004 Jan. 4 18 2004 Jan. 4 18 2014 2014 2014 2014 2004	ated Amortization, Office Explanation Adjustment Payable Explanation	Ref. GJ1 GJ2 Post. Ref. GJ2 GJ1	1 0 0 0 5 0 00 5 0 00 ent	Credit 2000 5000 7000	CR. DR. DR. CR. CR. CR. CR. CR. 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>Acct. No Balar Acct. No Balar Acct. No 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>Acct. No Balar Acct. No Balar Acct. No Balar</td></td<></td>	6000 5000 200 <td< td=""><td>Credit</td><td>DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>Acct. No Balar Acct. No Balar Acct. No Balar</td></td<>	Credit	DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	Acct. No Balar Acct. No Balar Acct. No 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 Explanation Adjustment Payable Explanation	Ref. GJ1	100000 5000	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 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 00		DR. DR. CR. DR. CR. DR. DR.	1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 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 Explanation Adjustment Payable Explanation	Ref. GJ1 GJ2 Post. Ref. GJ2 GJ1	1 0 0 0 5 0 00 5 0 00 ent	Credit 2000 5000 7000	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balan Acct. No Balan 1 0 - 0 Acct. No Balan Acct. No 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balan Acct. No Balan 1 0 - 0 Acct. No Balan Acct. No Balan</td></td<></td>	6000 5000 200 <td< td=""><td>1 1 0 00 </td><td>DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balan Acct. No Balan 1 0 - 0 Acct. No Balan Acct. No Balan</td></td<>	1 1 0 00	DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	1 1 - 0 Acct. No Balan Acct. No Balan 1 0 - 0 Acct. No Balan Acct. No 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 Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 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. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 3</td></td<>		DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 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 Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 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. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 3</td></td<>		DR. DR. CR. DR. CR. DR. CR. DR. CR.	1 1 - 0 Acct. No Balar - 0 Acct. No Balar 1 0 - 0 Acct. No Balar 3
$\begin{array}{c c c c c c c } 2004\\ \hline & 2\\ \hline \hline & 2\\ \hline $	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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 G]2 Value Value G]1 G]2 G]1 G]2 G]1 G]2 Value Value G]2 Value G]2 Value G]2 Value G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2</td><td>6000 5000 200 <td< td=""><td></td><td>DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar - 0 Acct. No Balar - 0</td></td<></td></tr<>	G]1 G]2 G]2 G]2 Value Value G]1 G]2 G]1 G]2 G]1 G]2 Value Value G]2 Value G]2 Value G]2 Value G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2 G]2	6000 5000 200 <td< td=""><td></td><td>DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R.</td><td>1 1 - 0 Acct. No Balar - 0 Acct. No Balar - 0 Acct. No Balar - 0</td></td<>		DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R. DR. C.R.	1 1 - 0 Acct. No Balar - 0 Acct. No Balar - 0 Acct. No Balar - 0
2004 Jan. 2 4 4 2004 Jan. 31 31 31 4 31 8 2004 Jan. 4 18 3 3 18 3 4 18 3 3 18 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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 Credit Credit Credit Credit Credit Credit Credit Credit	DR. CR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR.	1 1 - 0 Acct. No Balar - 0 Acct. No Balar 10 - 0 Acct. No Balar - 0 Acct. No Balar - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 0
$\begin{array}{c c c c c c c } 2004\\ \hline & 2\\ \hline \hline & 2\\ \hline $	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 Acct. No Balan 7 -0 Acct. No Balan 1 0 -0 Acct. No Balan 3 -0 Acct. No 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. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>1 1 Acct. No Balan 7 -0 Acct. No Balan 1 0 -0 Acct. No Balan 3 -0 Acct. No Balan</td></tr<>		DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	1 1 Acct. No Balan 7 -0 Acct. No Balan 1 0 -0 Acct. No Balan 3 -0 Acct. No 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 Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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 <</td> <td></td> <td>DR. CR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR.</td> <td>Acct. No Balan Acct. No Balan 10 -0 Acct. No Balan -0 Acct. No Balan 2 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. CR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR.	Acct. No Balan Acct. No Balan 10 -0 Acct. No Balan -0 Acct. No Balan 2 Acct. No
2004 Jan. 2 4 4 2004 Jan. 31 31 31 4 31 8 2004 Jan. 4 18 3 3 18 3 4 18 3 3 18 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	ated Amortization, Offic Explanation Adjustment Payable Explanation	Ref. G]1	1 0 0 0 5 0 00 5 0 00 ent	Credit Credit Credit Credit Credit Credit	CR. DR. DR. CR. CR. CR. CR. CR. CR. CR. CR. CR. 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 Credit Credit Credit Credit Credit Credit Credit Credit</td><td>DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>6 1 1 - 0 Acct. Nc Balan 10 - 0 Acct. Nc Balan 3 - 0 Acct. Nc Balan 3 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 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 Credit Credit Credit Credit Credit Credit Credit Credit</td><td>DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.</td><td>6 1 1 - 0 Acct. Nc Balan 10 - 0 Acct. Nc Balan 3 - 0 Acct. Nc Balan 3 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 0</td></tr<>	Credit Credit Credit Credit Credit Credit Credit Credit Credit	DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR. DR. CR.	6 1 1 - 0 Acct. Nc Balan 10 - 0 Acct. Nc Balan 3 - 0 Acct. Nc Balan 3 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 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.

KEY 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)

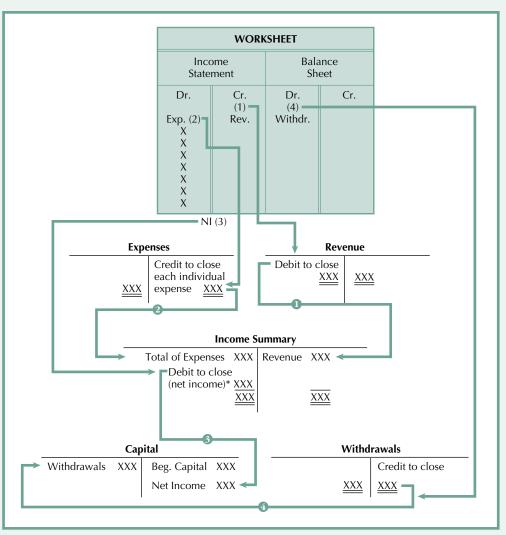
Permanent accounts Accounts whose balances are carried over to the next fiscal year; examples: assets, liabilities, capital (p. 174)

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)

BLUEPRINT 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. (2) E X P E N S E S	Cr. Revenue (1)	Dr. Withdrawals	Cr. (4)
NI (3)			

Goals of Closing

2.

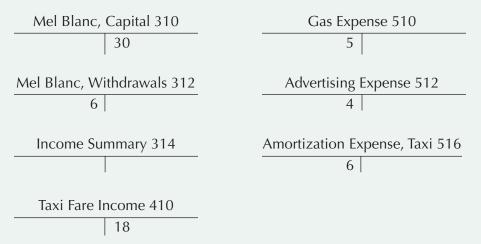
- 1. Temporary accounts in the ledger should have a zero balance.
- **2.** New figure for capital is determined in closing.

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 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	5-4. 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 p te: 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 lizing adjusting and tries	LOU'S CONSULTING TRIAL BALANG 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. 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.
	2. Journalize adjusting and closing entries.
Journalizing and posting adjusting and closing entries, and preparing a post-closing trial balance	5A-2. 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	5A-3. 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.
	 4 Purchased office equipment on account from Ling Corp., \$7,200. 6 Purchased snow supplies for \$700 cash.
	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. Rent expired, \$600
	c. Amortization on office equipment, \$120 $(\$7,200 \div 5 \text{ yr.} \rightarrow \$1,440/12 \text{ mo.} = \$120)$
	d. Amortization on snow equipment, \$100
	$(\$6,000 \div 5 \text{ yr.} \rightarrow \$1,200/12 \text{ mo.} = \$100)$ 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 TRIAL BAL 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
	 a. Insurance expired, \$100 b. Supplies on hand, \$20 c. Amortization on equipment, \$200 d. Salaries earned by employees but not due to be paid until July, \$490
Journalizing and posting adjusting and closing entries, and preparing a post-closing trial balance	5B-2. 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> Post-Closing Trial Balance \$3,294	5B-3. 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 accounting cycle, Chapters 1–5 <i>Check Figure</i> Net Income \$9,610	 2003 Jan. 1 To open the business, Pete invested \$8,000 cash and \$9,600 worth of snow equipment. 1 Paid rent for five months in advance, \$3,000. 4 Purchased office equipment on account from Russell Co., \$6,000. 6 Bought snow supplies, \$350. 8 Collected \$7,000 for plowing during winter storm emergency. 12 Pete paid his home telephone bill using a company cheque, \$70. 20 Billed Eastern Freight Co. for plowing fees earned but not to be received until March, \$6,500. 24 Advertising bill was received from Jones Co. but will not be paid until next month, \$350. 26 Paid salaries to employees, \$1,800. 28 Paid Russell Co. one-half of amount owed for office equipment. 29 Paid telephone bill of company, \$165. Adjustment Data a. Snow supplies on hand, \$200
	b. Rent expired, \$600 c. Amortization on office equipment ($(0,000 \div 4 \text{ yr.} \rightarrow (1,500 \div 12) = (125), (125) \text{ d.}$ d. Amortization on snow equipment ($(0,000 \div 2 \text{ yr.} \rightarrow (1,500 \div 12) = (125), (125) \text{ d.}$ e. Salaries accrued, \$300 Group C Problems (The forms you need are on pages 5-31 to 5-47 of the <i>Study Guide with Working Papers.</i>) 5C-1.
Review of preparing a worksheet, and journalizing adjusting and closing entries <i>Check Figure</i> Net Income \$4,081	 To: Max Vleeming FROM: Grace Friesen RE: Accounting Procedures 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.

	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 TRIAL BALANCE 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 WORKSHEET NOVEMBER 30, 2003	REPAIR SERVIC IEET 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) \ 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

REAL-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 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 INITIALS INITIALS		1	X 100	
	N PRL			Х	
				COIN	
	CREDIT ACCOUNT OF		1	CANADIAN CASH TOTAL	1
			18,000:00	VISA &	18,000 00
	VALDEZ REALTY	U.S.	18,000,00	CHQS RATE	18,000,00
		CHQS. U.S.			
		CASH		RATE	
			NET DEPOSIT		18,000:00
				COMPARED	WITH ORIGINAL DEPOSIT
	1: 05337	123'498'6 51			SLIP AS TO TOTAL ONLY
2.					
2.	VALDEZ REALTY 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 DF ~~ Two thousand	one hundred ~			00/100 DOLLARS
THE RO	YAL BANK OF CANADA				
20	MAIN BRANCH 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 CITY WEST	2674 King Street West Hamilton, Ontario L9H 1A1 Phone (905) 527-9755; Fax (905)	527-9756	INVOICE DA	NO. WEA109 TE: June 2/0 TERMS: Cas
		48	aldez Realty 55 King Street West amilton, Ontario L9H 6W3	Ship To: 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 CEIVED - Cheque #602 - Thank you		UBTOTAL FREIGHT TAX	12,000.00
			THANK YOU FOR Y		AL DUE	\$ 12,000.00
3b.	V	485 KING S HAMILTON, ON	Z REALTY STRET WEST NTARIO L9H 6W3 05) 527-1223		June	602 2 ₂₀ 04
		A - 0			<b>_</b>	
	THE ROYA	F Twelve T AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L94	T VA	ALDEZ REALTY	,2,	000.00
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9H	NADA 17 1429 VA 1429 PE	ALDEZ REALTY	00	
	THE ROYA 204 HAMILT	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO LOF Obile - 1 11"000602	алада ¹¹ 429 VA V. <b>WEÂ1097</b> Ре I: 05337 123'498'6	ALDEZ REALTY	o(	) /100 DOLLAF
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F Obile - 1m II"000602 Office #53 Niagar Hamilton, 0	NADA T H 429 VA VA VA VA VA VA VA VA PE 1: 05337 1:23'498'5 Depot	ALDEZ REALTY	o(	
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F Olile - 1 II"000602 Office #53 Niagar Hamilton, 0 Phone (905 SOLD TO: Valdez 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 R <u>Juan V</u>	O( aldez IN DATE: NUMBER: TERMS:	) /100 DOLLAF VOICH Jun 4/04 D198795
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F Olile - 1 II"000602 Office #53 Niagar Hamilton, 0 Phone (905 SOLD TO: Valdez 485 Kin	ANADA T + 429 VA V. WEÂ1097 PE I: 05337 I23'498'ь Depot Ta Mall Ontario L9H 1B1 5) 527-1233, Fax (905) 527-1234 : Realty ng Street West	ALDEZ REALTY R <u>Juan V</u>	O( aldez IN DATE: NUMBER: TERMS: alty	) /100 DOLLAR VOICF Jun 4/04 D198795 Cash
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F olile - 1m 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 R <u>Juan V.</u> SHIPPED TO: Valdez Re 485 King S	OC aldez IN DATE: NUMBER: TERMS: alty Street West UNIT PRIC	) /100 DOLLAF VOICI Jun 4/04 D198795 Cash :E AMOU \$300.0
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F Olile – 1 II"000602 Offfice #53 Niagar Hamilton, 0 Phone (905 SOLD TO: Valdez 485 Kin Hamilt 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 R <u>Juan V.</u> SHIPPED TO: Valdez Re 485 King S	OC aldez IN DATE: NUMBER: TERMS: alty Street West UNIT PRIC	) /100 DOLLAR VOICF Jun 4/04 D198795 Cash :E AMOU \$300.0
	THE ROYA 204 HAMILTO FOR <u>Autom</u>	AL BANK OF CA MAIN BRANCH KING STREET WES ON, ONTARIO L9F Olile - 1 HTODDLD2 Office #53 Niagar Hamilton, 0 Phone (905 SOLD TO: Valdez 485 Kin Hamilt DATE 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 R <u>Juan V.</u> SHIPPED TO: Valdez Re 485 King S	OC aldez IN DATE: NUMBER: TERMS: alty Street West UNIT PRIC	) /100 DOLLAF VOICI Jun 4/04 D198795 Cash :E AMOU \$300.0

		Z REALTY						603
$\mathbf{V}$	HAMILTON, OF		W3			1.	4	20 04
		)5) 527-1223			-			
	Office De	pot				\$	300.0	0
	~ Three h	undred.	unnnnnn	~~~~	$\sim$		00 /1	100 DOLLAR
	AL BANK OF CA							
	MAIN BRANCH 4 KING STREET WES FON, ONTARIO L9F			VAL	DEZ REALTY			
	fice supplie			PER	Juan	Valder		
	11"000603		 123'498'6			ð		
5b.								DICE
	Office	•						
	#53 Niagar Hamilton	a Mall Ontario L9I	I 1B1			DA1 NUMBE		un 5/04 198825
			Fax (905) 527-1234			TERM		et 30
	SOLD TO:				SHIPPED TO	D:		
	Valdez	Realty			Valdez F	-		
		ng Street We			485 King	g Street We	st	
	Hamiii	on, Ontario	L9H 6W 3					
	DATE		DESCRIPT	ION		UNIT	PRICE	AMOU
	Jun 5/04	Office sup	oplies					\$150.0
						Subtota	al	150.0
	Business Nu	mber: 11555	5550			Total		\$150.0
	Business Nu	mber. 11000	THANK YOU FO			6		PLEASE PA THE ABOVI
6a. [								
	CURRENT ACCO DEPOSIT SLIP		PLEASE LIS	T FOREIG	N CHEQUES ON A	SEPARATE D	EPOSIT SLI	Р
	ROYAL B	ANK	VISA AND			DETAILS	CASH (IN	CL COUPON
		Ļ	H. Penchant		6.000 00	X 2 X 5		
		ŀ	7. Penchant		0,000,00	X 10		
	June 6, 20	04			1	X 20		
			1		1	X 50		1
	DATE		1		1	and the second se		1
	DEPOSITOR'S INITIALS I	TELLER'S NITIALS				X 100		
		teller's NITIALS MG				and the second se		

I INTIALS	INTIALS						
PD	MG					Х	1
						COIN	
CREDIT ACC	COUNT OF				1	CANADIAN	1
						CASH TOTAL	
				( 000	00	VISA &	( 000 00
VALDEZ REAL	.TY			6,000	00	CHQS	6,000 00
			U.S.			RATE	,
			CHOS. U.S.			RATE	
			CASH			KATE	i
				NET			( 000 100
				DEPOSIT			6,000:00
						COMPARED	WITH ORIGINAL DEPOSIT
	1: 02337	123'498'6	51				SLIP AS TO TOTAL ONLY

		REALTY COMMISSION REPOR	Т	Date	<i>e</i> June 6, 200
	Name:	Mr. and Mrs. Harold Penc	hant		
	Date	Sales Description	Sales No.	Commission Amount	
	Jun 6/04	Home at 44 Brookhaven Crescent	A1001	\$6,000.00	Paid in full.
	C001		Remarks:		
	485 KING S AMILTON, ON	<b>Z REALTY</b> STREET WEST ITARIO L9H 6W3 5) 527-1223			6 June 8 20 (
PAY TO A	nderson	Petroleum Ltd.		\$	5 22.00
THE ORDER OF	Twenter-	Petroleum Ltd. two ~~~~~~~			<u>0</u> 0/100 DO
THE ROYAL B MAI 204 KING	,	NADA T	VALDEZ REA	ALTY	
FOR Garb	lill - Ju	me 6	per <u>J</u>	.an Valdez	/
	<b>~</b> 000604	1: 05337 123'498'6			
<b>N V</b>		Z REALTY STREET WEST			6
· · · · · · · · · · · · · · · · · · ·	PHONE (90	ITARIO L9H 6W3 5) 527-1223 Awson Indred fifty marrow			June 15 20 ( 5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KIN	PHONE (90 Pamela D Three hi	s) 527-1223 Awson Andred fifty monocology NADA T	VALDEZ REA	<b>\$</b> ~~	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON,	PHONE (90 Pamela D Three h BANK OF CA N BRANCH G STREET WES	5) 527-1223 Awson Indred fifty ~~~~~ NADA T 1 429	VALDEZ REA	<u>۽</u> ~	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KIN HAMILTON, FOR Salar	PHONE (90 <u>Amela D</u> <u>Three h</u> BANK OF CA N BRANCH G STREET WES ONTARIO L9H	5) 527-1223 Awson Indred fifty more INADA T 1 429 e 1-15	VALDEZ REA	<b>\$</b> ~~	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KIN HAMILTON, FOR Salar	PHONE (90 <u>Amela D</u> <u>Three ha</u> BANK OF CA N BRANCH G STREET WES ONTARIO L9H <u>y - Jun</u> <u>"000605</u>	5) 527-1223 Awson Indred fifty more INADA T 1 429 e 1-15	VALDEZ REA	<b>\$</b> ~~	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON, FOR Salar	PHONE (90 <u>Amela D</u> <u>Three ha</u> BANK OF CA N BRANCH G STREET WES ONTARIO L9H <u>y - Jun</u> <u>"000605</u>	5) 527-1223 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000	VALDEZ REA	ALTY ALTY ALTY	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON, FOR Salar	PHONE (90 Pamela D Three ha BANK OF CA N BRANCH G STREET WES ONTARIO L9H y - Jun "000605 VALDEZ	5) 527-1223 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000	VALDEZ REA	ALTY ALTY ALTY	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON, FOR Salar	PHONE (90 Camela D Three he BANK OF CA N BRANCH G STREET WES ONTARIO L9F y - Jun "OOOLO5 VALDEZ Name:	5) 527-1223 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000 2000	VALDEZ REA	ALTY ALTY ALTY Date Commission	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON, FOR Salar	PHONE (90 Pamela D Three ho BANK OF CA N BRANCH G STREET WES ONTARIO L9F y - Jun "OOOLO 5 VALDEZ Name: Date	s) 527-1223 AWSON Andred fifty Announce NADA T 4229 <u>e</u> 1-15 1: 05337 123'498'L COMMISSION REPORT East End Land Developers Sales Description	VALDEZ REA	ALTY ALTY An Valdey Date Commission Amount	5 350.00 00 /100 DO
PAY TO P THE ORDER OF THE ROYAL B MAI 204 KINI HAMILTON, FOR Salar	PHONE (90 Pamela D Three ho BANK OF CA N BRANCH G STREET WES ONTARIO L9F y - Jun "OOOLO 5 VALDEZ Name: Date	s) 527-1223 AWSON Andred fifty Announce NADA T 4229 <u>e</u> 1-15 1: 05337 123'498'L COMMISSION REPORT East End Land Developers Sales Description	VALDEZ REA PER	ALTY ALTY An Valdey Date Commission Amount	5 350.00 00 /100 DC

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

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	
	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 INITIALS INITIALS			X 100	
PD AS			Х	
			COIN	
CREDIT ACCOUNT OF			CANADIAN CASH TOTAL	
VALDEZ REALTY		3,500:00	VISA & CHQS	3,500 00
	U.S. CHQS. U.S.		RATE	,
	U.S. CASH	1	RATE	1
		NET DEPOSIT		3,500 00
I: 05337	123'498'6 51		COMPARED	WITH ORIGINAL DEPOSI SLIP AS TO TOTAL ONL

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

VALDEZ REALTY 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 MAIN BRANCH	
204 KING STREET WEST HAMILTON, ONTARIO L9H 4Z9	VALDEZ REALTY
FOR Gas bill - June 22	perJuan Valdez
11 <b>°</b> 000607 1: 05337 123'498'	h.

12.

AUTO CITY WEST	Ham Pho	4 King Street West hilton, Ontario L9H 1A1 ne (905) 527-9755; Fax (905) 527-93		INVOICE VOICE NO. WES3750 DATE: June 24/04 TERMS: Cash
485	0	lty reet West ntario L9H 6W3	Ship To: 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 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 MAIN BRANCH	
204 KING STREET WEST 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 485 KING STREET WEST HAMILTON, ONTARIO L9H 6W3 PHONE (905) 527-1223	609 June 30 20 04
PAY TO Pamela Dawson	\$ 350.00
THE ORDER OF Three hundred fifty ~	
THE ROYAL BANK OF CANADA MAIN BRANCH 204 KING STREET WEST 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 Ontario		#2110 Steel Place Hamilton, Ontario L9G 4B4 Phone (905) 529-7190 Fax (905) 529-0063	
		Your Statemen	nt	
	In Account with	VALDEZ REALTY 485 KING STREET WEST HAMILTON ON L9H 6W3	Payment received June 30, 2004	
	Account #09444 710-190		Phones Ontario	
	Billing Period: June 1 to June	30	Ontario	
	Payments/Adjustments/Depos Opened account June 1, 2004.		\$0.0	00
		Monthly rental and cha	anges to service 510.	.00
	Amount now. due Payment due after July 10, 2001	\$522.75	Total Due \$510.	.00

4 5 1		
15b.	VALDEZ REALTY 485 KING STREET WEST	610
	HAMILTON, ONTARIO L9H 6W3 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 204 KING STREET WEST 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 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 3, 2004
DATE	DESCRIPTION		AMOUNT
DATE June 26/04	DESCRIPTION Advertising in City News during June 2004		AMOUN7 \$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 HAMILTON, ON	STREET WEST NTARIO L9H 6W3			1.0. 2	
		)5) 527-1223		—	July 2 \$ 150.0	20 04
PAY TO THE ORDER OF	Office De	frot			⊅ 150.0	0
	~ One hu	ndred fifty .		·····	00_/	100 DOLLARS
N	L BANK OF CA MAIN BRANCH					
	KING STREET WES 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 Hamilton	ra Mall Ontario L9H 1B1				lul 2/04 01996035
		5) 527-1233, Fax (9	905) 527-1234			Cash
	SOLD TO:			SHIPPED TO:		
		z Realty ng Street West		Valdez Re	alty 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 THE ABOVE
	(					
[ 	VALDE	Z REALTY				612
	485 KING S HAMILTON, ON	STREET WEST NTARIO L9H 6W3			July 3	
	485 KING S HAMILTON, ON PHONE (90	STREET WEST NTARIO L9H 6W3 05) 527-1223			July 3	20 04
THE ORDER OF	485 KING S HAMILTON, ON PHONE (90	STREET WEST NTARIO L9H 6W3 55) 527-1223 2			\$ 1,200	20 04
THE ORDER OF	485 KING S HAMILTON, ON PHONE (90	STREET WEST NTARIO L9H 6W3 55) 527-1223 2	hundred man		\$ 1,200	20 04
THE ORDER OF	485 KING S HAMILTON, ON PHONE (90	street west vtario l9H 6W3 05) 527-1223 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	hundred man		\$ 1,200	20 04
THE ORDER OF	485 KING S HAMILTON, ON PHONE (90 <u>City New</u> <u>~ One the</u> L BANK OF CA	street west vtario L9H 6W3 is) 527-1223 is wand two b wada t			\$ 1,200	20 04
THE ORDER OF	485 KING S HAMILTON, ON PHONE (90 <u>City New</u> <u>Cone the</u> L BANK OF CA MAIN BRANCH (ING STREET WES	STREET WEST VTARIO L9H 6W3 05) 527-1223 22 24 24 25 25 27 25 27 27 27 27 27 27 27 27 27 27 27 27 27	V		<u>\$ 1,200</u>	).00

VALDEZ	REALTY COMMISSION REPO	RT	Date	July 4, 2004
Name:	Mr. and Mrs. Andrew T	ran		
Date	Sales Description	Sales No.	Commission 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 INITIALS INITIALS	1		1		X 100	
PD MG					Х	
10 119			1		COIN	1
CREDIT ACCOUNT OF			1		CANADIAN CASH TOTAL	
VALDEZ REALTY			6.600	00	VISA & CHQS	6.600 00
		U.S. CHOS			RATE	,
		CHQS. U.S. CASH	1		RATE	
	-		NET DEPOSIT			6,600 00
l: 05337 1	123'498'6	51				WITH ORIGINAL DEPOSI SLIP AS TO TOTAL ONL

	VALDEZ REALTY	613
	HAMILTON, ONTARIO L9H 6W3 PHONE (905) 527-1223	July 6 20 04
P.	AY TO Anderson Petroleum Ltd.	\$ 29.00
	HE ORDER OF <u> <u> <u> </u> <i>Twenty-nine</i> </u></u>	₩₩ 00/100 DOLLARS
	THE ROYAL BANK OF CANADA MAIN BRANCH	
	204 KING STREET WEST 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 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 X 100	
	INITIALS INITIALS		1	X 100	
	PD MG	1	1	COIN	1
	CREDIT ACCOUNT OF		1	CANADIAN CASH TOTAL	
			6,500:00	VISA &	6.500 00
	VALDEZ REALTY	U.S.	0,500,00	CHQS RATE	0,500 00
		CHQS. U.S. CASH	1	RATE	I
			NET		6,500 00
			DEPOSIT	COMPARED	WITH ORIGINAL DEPOS
	1: 05337 3	123'498'6 51			
	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H 6				SLIP AS TO TOTAL ON
	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H 6 PHONE (905) 527-1223	5W3		Ju	614 614
PAY TO	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H 6 PHONE (905) 527-1223	5W3		Ju	SLIP AS TO TOTAL ON
	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H 6	5W3		Ju	614 614 614 300.00
	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H 6 PHONE (905) 527-1223	5W3		Ju	614 614 614 300.00
THE RO	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H ( PHONE (905) 527-1223 Hamilton Realton OF Whree bundred YAL BANK OF CANADA	5W3	valdez realty	<u>J.</u> \$	614 614
THE RO	VALDEZ REALTY 485 KING STREET WEST HAMILTON, ONTARIO L9H G PHONE (905) 527-1223 Hamilton Realton OF Three hundred YAL BANK OF CANADA MAIN BRANCH D4 KING STREET WEST	in' A <i>ssociatios</i>	~	<u>J.</u> \$	614 614 614 300.00

2	1	
4	4	•

ŀ.	VALDEZ REALTY 485 KING STREET WEST				615
	HAMILTON, ONTARIO L9H 6W3 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 MAIN BRANCH				
	204 KING STREET WEST 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 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 INITIALS INITIALS		1	X 100	
PD PRL			Х	
19 2202	1		COIN	
CREDIT ACCOUNT OF		1	CANADIAN CASH TOTAL	
VALDEZ REALTY		7.000:00	VISA & CHQS	7,000 00
	U.S. CHOS. U.S.	,	RATE	,
	U.S. CASH	1	RATE	l
		NET DEPOSIT		00 ¹ 00,7
l: 05337 :	123'498'6 51		COMPARED	WITH ORIGINAL DEPOSIT SLIP AS TO TOTAL ONLY

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

VALDEZ REALTY 485 KING STREET WEST	616
V HAMILTON, ONTARIO L9H 6W3 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 MAIN BRANCH	
204 KING STREET WEST HAMILTON, ONTARIO L9H 4Z9	VALDEZ REALTY
FOR Aid to the poor	PER Juan Valdez
II7000616 I: 05337	23'498'6

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

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

	VALDEZ REALTY 485 KING STREET WEST				619
	HAMILTON, ONTARIO L9H 6W3 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 204 KIN	BANK OF CANADA IN BRANCH IG STREET WEST 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 Ontario L9G 4B4

Ontario			(905) 529-7190 )5) 529-0063	
	Your State	ement		
In Account with	VALDEZ REALTY 485 KING STREET		Payment receíved July 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 Payment due after August 10, 2	001 \$241.90	Tot	al Due \$2	236.00

VALDEZ REALTY 485 KING STREET WEST	620
HAMILTON, ONTARIO L9H 6W3 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 MAIN BRANCH	
204 KING STREET WEST HAMILTON, ONTARIO L9H 4Z9	VALDEZ REALTY
FOR July phone bill	PER Juan Valdez
II7000620 I: 05337	123'498'6

	85 Main Street, Hamilto Phone (905) 527-1030		
	ΙΝΥΟ	ICE	
SOLD TO:	Valdez Realty 485 King Street West Hamilton ON L9H 6W3	Invoice No.: Date: Due Date:	5400 July 27, 200 August 4, 20
DATE	DESCRIPTION		AMO
DATE July 27/04	DESCRIPTION Advertising in City News dur		AMC \$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[©].
- 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 "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.
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 Withdrawals account.	<ol> <li>Open the General Journal; then record the closing journal entry for Juan Valdez's 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- nal entries from all journals and all individual postings of journal entries to the gen- eral ledger accounts. You will find it difficult to display or print a General Journal or General Ledger report based on dates in the prior month, and you will not be able to record journal entries for dates in the prior month. If for some reason you need to print a General Journal or General Ledger, or record a transaction that oc- curred in the prior month, you can do so by using the backup copy of the company's 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[©].</li> <li>2. Choose Select an existing company, then enter (or choose) the following path: d:\student\valdez (if you are storing your student data files on drive D, oth-</li> </ul>
Open the company data files. Modify the Fiscal End date.	<ol> <li>PART B The July Accounting Cycle</li> <li>Start Simply Accounting[©].</li> <li>Choose Select an existing company, then enter (or choose) 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")</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[©].</li> <li>Choose Select an existing company, then enter (or choose) 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")</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 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.
Record July adjusting entries.	7. Open the General Journal; then record adjusting journal entries based on the fol- 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 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.
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 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> .