

# *Algorithmic Granite Bay Jet Ski, Incorporated*

*Level II*

*1<sup>st</sup> Edition*

## *Adjusting Entries and Closing Entries for the Quarter Ended June 30*

*and the*

## *Final Project Evaluation*

Page 1

Algorithmic Granite Bay Jet Ski, Inc., Level II – Module 5  
Copyright © 2014 – 2024 PKL Software, Incorporated. All rights reserved.  
Last Revised: March 1, 2024

# ***ADJUSTING ENTRIES FOR THE QUARTER***

Using a copy of the June 30 Unadjusted Trial Balance (**printed after the bank reconciliation entries**) and the information and financial data shown below, record the adjusting entries for Granite Bay Jet Ski, Inc. Be sure to select the **Adjusting JE** button to journalize the adjusting entries. Adjusting entries must **NOT** be entered using the daily entries (**Daily JE**) procedure. Corrections to adjusting entries must also be entered using the adjusting entries selection. Be sure to round all calculations to the nearest one cent. **ALL ENTRIES MUST BE RECORDED AS OF JUNE 30, THE END OF THE SECOND QUARTER!**

- A. The **unexpired** insurance balance is **\$3,780.00**.
  
- B. The ending store and shop supplies inventory is **\$2,118.00**.
  
- C. It is estimated that 20% of the balance of the Advertising Expense account is for advertising that will appear in various media early in the next quarter.
  
- D. All of the prepaid property tax is an expense for the quarter.
  
- E. Wages accrued total **8.5 hours** worked at **\$11.30 per hour**.
  
- F. Storage Fees Earned for the quarter total **\$10,450.00**.
  
- G. Straight-line depreciation of store equipment and fixtures totals **\$2,250.00 for the quarter**. The new store equipment acquired June 26 will not be depreciated this quarter.
  
- H. Depreciation of shop equipment is **\$460.00 per month**. The new shop equipment acquired during the final week of June will not be depreciated for the second quarter.

- I. Granite Bay Jet Ski, Inc., has three trucks. The new truck acquired on June 21 will not be depreciated this quarter. An old truck used only for short distance heavy hauling is fully depreciated. The third truck was acquired at a cost of **\$25,500.00**, has a salvage value of **\$7,500.00**, is depreciated on a miles driven basis (**units of production depreciation**), and has an estimated service life of 120,000 miles. The truck was driven **2,240 miles** during the quarter.
- J. Accrue the interest on the **short-term** notes receivable. **Calculate the interest to the nearest cent. Use the 360-day banker's year for all interest computations and record a single adjusting entry for the short-term interest.**

**Note Receivable: \$10,000, 9.0%, 60-day note, dated June 22**

- K. The **\$10,000.00** balance in the Long-Term Note Payable account is the balance owing from a \$100,000.00, 6% note that requires quarterly payments of **\$5,000.00** plus accrued interest on the unpaid balance. The \$5,000.00 payments, plus accrued interest from the previous quarter, are made the first day of January, April, July, and October of each year. Accrue the quarterly interest on the **\$10,000.00, 6%, long-term** notes payable.
- L. Additional income taxes expense for the period total **\$2,520.00**.
- M. The balance sheet (computer aging) method is used to estimate the balance of the Allowance for Doubtful Accounts account for the end of each quarter. The program has analyzed all accounts receivable and calculated the estimated balance of the account to be **\$2,190.50**.

In the past, Granite Bay Jet Ski, Incorporated, has experienced small shortages (shrinkage) in merchandise inventory when the perpetual inventory total maintained on the computerized accounting system was compared to the actual physical inventory count taken at the end of the accounting period. When this shrinkage occurred, the Cost of Goods Sold account was debited and the Merchandise Inventory account was credited for the total value of the inventory shortage. The entry was followed by an update of the specific merchandise items where the quantities reported were not correct. At the end of the current quarter the physical count of merchandise on hand matches the perpetual inventory for each item in stock. As a result of the satisfactory inventory control system that is in place, no losses have occurred and no adjusting entry for inventory shrinkage is required this quarter.

## **Check the Accuracy of Your Work**

- 1) Print a copy of the June 30 Adjusted Trial Balance.**
- 2) Print a copy of the Check Figures, After Adjustment..**

**If your balances match all of the check figures, follow instructions 1 to 9 below for printing documents. If any of your account balances do not agree with the check figures, apply the necessary audit procedures used in this accounting system and make the necessary correction/s.**

- 1. Click on Journals/Ledgers/Statements, select Financial Statements, then select Income Statement. Print the Income Statement.**
- 2. Click on Journals/Ledgers/Statements, select Financial Statements, then select Retained Earnings. Print the Retained Earnings Statement.**
- 3. Click on Journals/Ledgers/Statements, select Financial Statements, then select Balance sheet. Print the Balance Sheet.**
- 4. Print the Schedule of Accounts Receivable.**
- 5. Print all customer accounts.**
- 6. Print the Schedule of Accounts Payable.**
- 7. Print all vendor accounts**
- 8. Print the Inventory Analysis.**
- 9. Print the following inventory stock cards:  
AL800      KW001**

## RECORD THE CLOSING ENTRIES FOR GRANITE BAY JET SKI

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

**10. Click on Data Entry. Click on Close JE. The program will automatically record (journalize) and post the closing entries to the General Ledger. When the closing is completed answer OK.**

**11. Print the Post-Closing Trial Balance.**

**Note: There are no check figures for after closing the ledgers.**

**Exit the Granite Bay Jet Ski, Inc., accounting program. Using all of your printed financial statements, carefully answer the Final Evaluation questions on the following pages. After completing the answers, click on Evaluations, log on to your program, select Final Evaluation, and enter your answers. Your answers and evaluation score will be automatically recorded.**

### Error Correction After Closing the Books

If, after closing the books, you discover an error or wish to print a corrected copy of any of the financial statements, you may return to the Adjusted Trial Balance totals. Click on **Support**, select **Restore to Adjusted Balances**. The accounts will be returned to their pre-closing balances. Daily or adjusting entries can then be corrected using the **Daily JE** or **Adjusting JE** option. **NEW COPIES OF ALL CORRECTED DOCUMENTS MUST BE PRINTED**. Again, close the General Ledger (**Close JE**) and print a **Post-Closing Trial Balance**. Then exit the program.

**FINAL EVALUATION  
GRANITE BAY JET SKI II**

**NAME** \_\_\_\_\_  
**CLASS DAY AND TIME** \_\_\_\_\_ **DATE** \_\_\_\_\_

1. **Use your Income Statement to answer questions 1 to 9.**  
To the nearest hundredth, the Total Cost of Goods Sold is what \_\_\_\_\_ %  
percent of Net Sales?  
**Do not enter the percent (%) signs.**
2. To the nearest hundredth, the Gross Profit from Sales is what percent \_\_\_\_\_ %  
of Net Sales?
3. Last quarter the Total Selling Expenses were **34.51%** of Total Gross Profit From Sales. Has this quarter shown an improvement over last quarter? \_\_\_\_\_  
**Answer Y for Yes or N for No.**
4. To the nearest hundredth, Total Selling Expenses are what percent of \_\_\_\_\_ %  
Total General Expenses?
5. What is the total of Total Fees Earned? \$ \_\_\_\_\_
6. What is the Income From Operations? \$ \_\_\_\_\_
7. If the Total Cost of Goods Sold is understated, the Income from Operations will be: \_\_\_\_\_  
A. Overstated  
B. Understated  
C. Unchanged  
D. None of the above
8. To the nearest hundredth, what is the *profit margin ratio*? \_\_\_\_\_
9. To the nearest hundredth, what is the *gross margin ratio*? \_\_\_\_\_
10. **Use your Balance Sheet and Ledger Cards to answer questions 10 to 19.**  
What is the balance of the Cash account? \$ \_\_\_\_\_
11. What is the **net realizable value** of the Accounts Receivable? \$ \_\_\_\_\_
12. What is the book value of the Shop Equipment? \$ \_\_\_\_\_

**FINAL EVALUATION GRANITE BAY JET SKI**

13. What is the Total Liabilities and Stockholders' Equity? \$ \_\_\_\_\_
14. To the nearest hundredth, what is the current ratio? \_\_\_\_\_  
*Type your answer to the nearest hundredth, such as 8.45.*
15. The April 1 balance of the Merchandise Inventory Account was \$156,850.00. To the nearest hundredth, what is the inventory turnover of the business? \_\_\_\_\_  
*Type your answer to the nearest hundredth, such as 5.03.*
16. To the nearest hundredth, compared to June 2 balance of the Merchandise Inventory account, the Merchandise Inventory account balance has decreased by what percent? \_\_\_\_\_ %
17. What is the total of Total Plant and Equipment? \$ \_\_\_\_\_
18. What is the dollar amount of *working capital*? \$ \_\_\_\_\_
19. To the nearest hundredth, what is the *debt ratio*? \_\_\_\_\_
20. *Use your printout of All Customers to answer questions 20 and 21.*  
Does any customer currently have a balance that is past due on the credit terms of 30 days? \_\_\_\_\_  
**Answer Y for Yes or N for No.**
21. What was the balance owed by Christine Nelson (11560) before the return of merchandise on June 30? \$ \_\_\_\_\_
22. *Use your printout of All Vendors to answer questions 22 and 23.*  
What is the current balance of the Starlight Sports (28600) account? \$ \_\_\_\_\_
23. What is the number of the vendor account that is due and payable on July 1? \_\_\_\_\_
24. *Use your printout of Inventory Analysis and Inventory Ledger Cards to answer questions 24 and 25.*  
What is the FIFO inventory value of the AL900 trailers in stock? \$ \_\_\_\_\_
25. What is the Analysis Balance shown in the Inventory Analysis? \_\_\_\_\_

