

Work4Me Accounting Simulations

3rd Web-Based Edition

Problem Four

Daily and Adjusting Entries

for

Classic Accounting Services, Incorporated

Problem Four

Classic Accounting Services, Inc.
 Trial Balance
 June 16

	Debit	Credit
Cash	14,500.00	
Accounts Receivable	13,650.00	
Prepaid Rent	6,600.00	
Prepaid Insurance	1,850.00	
Office Supplies	724.00	
Office Equipment	13,000.00	
Accumulated Deprec. - Office Equip. Automobile	18,500.00	2,550.00
Accumulated Deprec. - Automobile Building	138,000.00	3,240.00
Accumulated Deprec. - Building Land	150,000.00	29,000.00
Accounts Payable		10,400.00
Short-term Notes Payable		5,000.00
Unearned Consulting Fees		3,000.00
Long-term Notes Payable		16,000.00
Mortgage Payable		60,000.00
Common Stock		100,000.00
Retained Earnings		91,676.00
Accounting Fees Earned		35,200.00
Consulting Fees Earned		14,755.00
Salaries and Wages Expense	8,612.00	
Vehicle Operating Expense	750.00	
Advertising Expense	825.00	
Delivery Expense	425.00	
Electric and Gas Expense	990.00	
Telephone Expense	675.00	
License Expense	125.00	
Miscellaneous Expense	45.00	
Interest Expense	1,550.00	
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Total	370,821.00	370,821.00
	=====	=====

CHART OF ACCOUNTS
Classic Accounting Services, Incorporated
Problem Four

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

Problem 4

Journalizing Daily and Adjusting Entries

Classic Accounting Services, Incorporated

Problem Four, has been completed for you through the June 16 daily entries, and the balances of the accounts to this date are shown in the Trial Balance on page 2. Using the Chart of Accounts found on **page 3**, your first job is to complete the **daily entries** for the final two weeks of the month. After proving the accuracy of your June 30 Trial Balance, your second job is to complete the required **adjusting entries** and prepare an Adjusted Trial Balance. **When the Adjusted Trial Balance totals match the “Check It Out” balances, your final responsibility will be to print the selected documents and use them to answer the analysis questions.**

1. Go to www.pklsoftware.com, select Work4Me, and log in.
2. From the Menu Bar of the Data Entry page, select Problem 4, Daily and Adjusting Entries, and click.
3. Click on OK, at the message directing you to select Daily or Adjusting entries.
4. Move the pointer to Daily JE and click. You will be recording daily entries for last two weeks of June. When your June 30 trial balance matches the check figures, you will proceed to the adjusting entries for the period.

You must record and correct all daily entries using the Daily JE data entry format. You must also remember to record and correct all adjusting entries only in the Adjusting JE data entry format.

TRANSACTIONS FOR JUNE 17-30

Student Analysis

June 17

Purchased office equipment costing **\$3,550** and office supplies listed at **\$90** on account (30-day credit) from Acme Supply.

Note: After clicking on **Verify Journal**, enter the Invoice Number (**B4444**) at the **Invoice Number** text box, then click on **Post**.
Use this procedure for all transaction documents.

Transactions for June 17-30 continued...

Student Analysis

June 17

Received a check for **\$865** for accounting services completed today and listed on invoice number **C4666**.

June 19

Issued check number **00456** for **\$725** for June advertising listed on invoice number **W5555** that was received today.

Note: After clicking on **Verify Journal**, enter the Check Number (**00456**) at the **Check Number** text box, then enter the Invoice Number (**W5555**) at the **Invoice Number** text box, then click on **Post**.

June 19

Performed **\$900** worth of additional accounting services for a client. The client paid **\$300** in cash and asked to be billed for the remaining balance owed (invoice number **C4667**). The client is allowed 30-day credit terms.

June 21

Received **\$2,000** cash as a retainer fee for consulting work to be performed for a client. At the document prompt enter **RTFEE** for retainer fee.

June 22

Paid **\$90.50** to Ali's Shell Service for gas and automobile repairs. Check number **00457** paid in full invoice number **47777** that was received today.

Transactions for June 17-30 continued...

Student Analysis

June 23

Purchased **\$66** worth of postage stamps, envelopes, and business folders (office supplies) for the office issuing check **00458** in payment of invoice **00777**.

June 23

Paid **\$24** to the Ortega Courier Service for delivery of documents to a client (check **00459** and delivery invoice number **22222**).

June 25

Received a check for **\$635** from a client as payment in full on her account balance (invoice **C4632**).

June 27

Issued check **00460** for **\$124** as payment in full of the Vandercamp Office Supply account balance that is due today (invoice number **V4567**).

June 29

Purchased a 6-month liability insurance policy for the period of July-December for **\$1,800** cash (check **00461** and invoice **L3355**).

June 29

Issued check **00462** for **\$304.50** to pay the Loomis-Newcastle Telephone Company bill that was received today. The invoice number for this billing is **LN888**.

Transactions for June 17-30 continued...

Student Analysis

June 30

Issued check number **00463** and paid a cash dividend of **\$1,500** to the stockholders of the company. At the invoice prompt enter **CASHD** for cash dividend.

June 30

Received a check for **\$300** as partial payment on account from a client (invoice number **C4651**).

Now that you have completed entering the daily transactions for Classic Accounting Services, Incorporated, it is time to check the accuracy of your work.

- 1) Move the pointer to **Check Figures** and click.
- 2) Move the pointer down to **Problem Check Figures** and click.
- 3) **Print** the **Daily Check Figures** for Problem 4 – Daily and Adjusting Entries.

Should you have any Incorrect Balances, follow the instructions in the **Error Correction**

If all of your totals match the check figures, you are ready to begin entering the adjusting entries for Classic Accounting Services Inc. Procedures from Module 1 – Demonstration Problem.

Adjusting Entries for June 30

The adjusting entries procedure (Click on Adjusting JE) must be used to record (and correct) all adjusting entries. Remember that all adjustments are being made for **June 30, the end of the SECOND QUARTER of the year**. Adjusting entries must **Not** be entered using the Daily Entries procedure. Remember to use the “D” key for repeating the date.

Using your correct June 30 Trial Balance, and the adjustment information that follows, record the adjusting entries for Classic Accounting Services, Incorporated.

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

- A. A total of **\$545** worth of office supplies **have been used** during the second quarter.
- B. Rent was **prepaid for six months** in advance on **April 1** of this year.
Note: Use the 'D' key to repeat a date...very convenient for adjusting entries.
- C. The unexpired balance of the Prepaid Insurance account totals **\$1,800** at the end of June.
- D. A total of **\$1,550** worth of advertising copy was paid for and correctly charged to the Advertising Expense account during the quarter, however, **\$100** worth of advertising copy **has not yet been run** as of June 30.
- E. It is determined that **\$345** worth of accounting services have been completed for a client, **but not yet been billed**.
- F. Total accrued interest on all notes payable, including the mortgage, is **\$325**.
- G. An examination of the Unearned Consulting Fees account shows as of June 30, **\$1,380 of this account balance has been earned**.
- H. Accrued property taxes for the quarter total **\$220**.
- I. Depreciation of the office equipment **for the year totals \$1,260** and is calculated on the straight-line basis.
- J. Depreciation of the automobile has been calculated to be **\$180 per month**.
- K. The building depreciates at a rate of **\$1,400 per quarter**.
- L. Accrued wages total **8.5** hours worked at a rate of **\$12.50** per hour.

Now that you have completed entering the adjusting entries for Classic Accounting Services, Incorporated, it is time to check the accuracy of your work.

- 4) Move the pointer to **Check Figures** and click.
- 5) Move the pointer down to **Problem Check Figures** and click.
- 6) Click on **Adjusted**.
- 7) **Print** the **Adjusted** Check Figures for Problem 4 – Daily and Adjusting Entries.

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

If all of your balances are correct, continue with Instructions 1 to 11.

1. **Print** the Adjusted Trial Balance for Classic Accounting Services, Incorporated.
2. Click on the **Ledger Card** button. The Cash ledger card will appear on the screen. **Print** the Cash account.
3. Using the pull-down screen, select, show, and print each of the following additional ledger cards.

Account number: **105** Accounts Receivable
Account number: **201** Accounts Payable
Account number: **220** Unearned Consulting Fees
Account number: **601** Salaries Expense
4. Move the pointer to **Journal/Ledgers/Statements** in the Menu Bar, then down to Financial Statements and select **Income Statement**. **Print** the document.
5. **Print** the **Retained Earnings Statement**.
6. **Print** the Classic Accounting Services, Incorporated **Balance Sheet**.
7. When all of the required documents have been printed, you have completed your computer work for the Daily and Adjusting Entries Problem. **Exit the Program**
8. Using the required documents, **complete the Work4Me Daily and Adjusting Entries Evaluation** at the end of this Module.
9. Log On to your program and move the pointer to **Evaluations**, select **Exam4: Daily and Adjusting Entries** and click.
10. Complete the Evaluation, using your completed Evaluation as a guide.
11. Follow the instructions at the top of the text box to **Save, Score**, and **Print** the Evaluation.

WORK4ME - PROBLEM FOUR **NAME** _____
DAILY & ADJUSTING ENTRIES **CLASS DAY AND TIME** _____ **DATE** _____

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

2. If the ending inventory for supplies had been only \$50, what would have been the **balance** of the Supplies Expense account after the required adjusting entry? \$ _____

3. If there had not been any accrued salaries and wages for the period, what would have been the balance of the Salaries and Wages Expense account? \$ _____

4. What is the **total** of the quarterly operating expenses? \$ _____

5. What is the **total net income** for the quarter ended June 30? \$ _____

6. The income from operations of the business is **what percent** of the total revenues? **Always round to 2 decimal places. On the computer graded examination do NOT write the word percent or use the percent sign % in the answer to this question.** _____ %

7. Salaries and Wages Expense is what percent of total revenues? **On the computer graded examination do NOT write the word percent or use the percent sign [%] in the answer to this question.** _____ %

8. For the same quarter one year ago, Income From Operations was **55.01%** and Salaries and Wages Expense was **17.01%** of Total Revenues. This current quarter has shown improvement in:
A. Both Items
B. Only Salaries and Wages
C. Only in Income From Operations to Total Revenues
D. None of the areas. _____

9. If in error, the adjusting entry for the depreciation of the building had not been recorded as required, what would have been the reported total for the net income of the business? \$ _____

10. How much has the Retained Earnings account increased this accounting period? \$ _____

11. What is the net worth or total Stockholders' Equity of Classic Accounting Services, Incorporated? \$ _____
12. On the June 30 Balance Sheet, what is the new book value of the Automobile? \$ _____
13. On the Cash account ledger card, what was the invoice number for the June 19 credit entry? _____
Invoice Number
14. What was the number of the check used to pay the cash dividend on **June 30**? _____
Check Number
15. On the Accounts Payable ledger card, what was the number of the check used to pay invoice number **V4567**? _____
Check Number