

# ***Zacks Bike Hut***

***Level II***

***1<sup>st</sup> Web-Based Edition***

## ***Adjusting & Closing Entries and the Final Project Evaluation***

# ***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 Zacks Bike Hut. **Be sure to click on the Adjusting JE button on the tool bar. Adjusting entries must NOT BE entered using the Daily JE procedures.** Any corrections to adjusting entries must also be entered using the **Adjusting JE** option. Adjusting entries **will not** require documentation entries. Where necessary round all calculations to the nearest cent. **ALL ENTRIES MUST BE RECORDED AS OF JUNE 30, THE END OF THE SECOND QUARTER!**

- A. The **unexpired** insurance balance is **\$2,350.00**.
  
- B. The ending store and shop supplies inventory is **\$924.40**.
  
- C. Wages accrued for June 29<sup>th</sup> and 30<sup>th</sup> for Louis Manich include **9.2 hours worked** at **\$15.25 per hour**.
  
- D. Zacks Bike Hut has followed a policy of recording all advertising bills directly to Advertising Expense because most if not all of these billings are received during the accounting period. An examination of the advertising invoices discloses that **\$99.00** worth of advertising copy, paid for and **correctly charged** to the Advertising Expense account, will be received early next quarter.
  
- E. Straight-line depreciation of store equipment totals **\$1,225.00 for the quarter**.
  
- F. Depreciation for the shop equipment is **\$245.00 per month**.
  
- G. Zacks Bike Hut has one delivery van. The van is depreciated using the 'units-of-production' method at **\$0.37** per mile. The van was driven **4,000** miles during the quarter.

- H. All of the fees for lessons were recorded in the Unearned Lesson Fees account. **\$4,850.00** of these fees have been earned during the quarter.
- I. Accrue the interest on the **\$3,200.00, 9.0%, 60-day**, note receivable. The note is dated May 23. Use the 360-day bankers' year (ordinary interest) for the calculation of interest earned.
- J. Record the accrued interest on the short-term, **9.0%, 90-day, \$15,000.00** note issued June 24. Use the 360-day bankers' year (ordinary interest) for the calculation of interest payable.
- K. Record the accrued interest **for the quarter** on the long-term, **6.0%, 4-year note payable of \$12,000.00**. (use the 360-day year)
- L. Accrued income taxes expense for the period total **\$2,365.00**.
- 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 **\$963.40**.

In the past, Zacks Bike Hut 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.

Now that you have completed entering the adjusting entries of the internship program, it is time to check the accuracy of your work.

Move the pointer to **Check Figures** and click. The 'check figures' for **After Adjusting** will appear in the text box. Scroll down through the accounts to verify the correctness of your ledger account balances. **Print** a copy of the Check Figures.

**Print a copy of the Adjusted Trial Balance. The correct balance will be \$366,991.54.**

After you have printed the Adjusted Trial Balance and matched the check figure, you are ready to complete the final evaluation of the Zacks Bike Hut, operations. **To gather the necessary information to complete the final evaluation questions, PRINT ALL of the documents listed in instructions 1-10. Be sure to print all documents listed BEFORE closing the books.**

1. Move the pointer to Journals/Ledgers/Statements, select Financial Statements, then click on Income Statement and print the document. Use the same procedure to display the Retained Earnings statement and the Balance Sheet, and print these statements.

**The correct net income for Zacks Bike Hut, Incorporated, is between \$38,600 and \$38,700.**

2. Print the Schedule of Accounts Receivable
3. Print the Accounts Receivable Subsidiary Ledger (All Customers)
4. Print the Schedule of Accounts Payable
5. Print the Accounts Payable Subsidiary Ledger (All Vendors)
6. Print the Inventory Analysis Form
7. From the inventory selection box, select and print the following inventory stock cards:  
A0024 A0300 B1300 C2300

The **Closing Process** for the Zacks Bike Hut accounting system is an automatic function. The program will close all of the temporary accounts and, at the same time, update the balance of the Retained Earnings account.

8. Click on the Data Entry tab. Click on the Close JE button and the closing entries will be automatically recorded in the General Journal and posted to the General Ledger.
9. Print the Post-Closing Trial Balance (\$229,332.65).

**10. Print the following General Ledger accounts:**

**101 Cash**  
**105 Accounts Receivable**  
**115 Merchandise Inventory**  
**201 Accounts Payable**  
**305 Retained Earnings**  
**401 Sales**  
**411 Service Fees Earned**  
**501 Cost of Goods Sold**  
**813 Interest Expense**  
**901 Income Summary**

**CONGRATULATIONS ON COMPLETING THIS PROJECT!!!**

## **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 must click on **Support** and then click on **Restore to Adjusted Balances**. Daily or adjusting entries can then be corrected using the **Daily JE** or **Adjusting JE** options and **new copies of all corrected documents MUST be printed.**

Again, close the books and print the corrected **Post-Closing Trial Balance** and any corrected general ledger accounts. **BACKUP** your work and exit the program.

**You are now ready to complete the Final Project Evaluation. On the menu bar, click on Evaluations, select Final Project Evaluation, and carefully complete the document.**

## **BACKUP YOUR DATA FILES**

**Go to Administration on the Menu Bar, scroll down to Files: Reset and Backup, and select Backup data Files. You now have a copy of all of your work to the end of the Adjusting Module. This file will allow you to return to the end of the Adjusting Module.**

## **EXITING THE SYSTEM**

**If you have completed your work for this session, move the pointer to Administration, scroll down to Return to Home Page and click on Home Page. You can exit the program at any point and return to that point at a later time.**

**FINAL PROJECT EVALUATION**  
**ZACKS BIKE HUT**

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

1. Which customer has the largest outstanding balance on June 30  
(Identify by customer number)? \_\_\_\_\_  
**Customer Number**
2. Is the balance of Doris Highlander account past due as of June 30?  
**Answer Y for Yes or N for No.** \_\_\_\_\_
3. On or before what date should the balance owed by customer Allen  
Yarborough be received? \_\_\_\_\_  
**A. July 30**  
**B. July 10**  
**C. July 2**  
**D. August 2**
4. What was the balance owed to Bingham Supply before the supplies  
were returned on June 11? \$ \_\_\_\_\_
5. How many debit memos for the return of merchandise have been  
issued during June? \_\_\_\_\_  
**A. 1**  
**B. 2**  
**C. 3**  
**D. 4**
6. Examine the Crater Bikes account. What was the net cost of the  
merchandise purchase listed on invoice C5884? \$ \_\_\_\_\_
7. If the Crater Bikes invoice of May 27 had not been paid on time, what  
would have been the cost of this management error? Remember that  
the invoices are recorded net. \$ \_\_\_\_\_
8. What amount is currently owed to Jurassic Bikes? \_\_\_\_\_  
**A. \$10,240.00**  
**B. \$11,240.00**  
**C. \$0.00**  
**D. \$1,000.00**  
**E. None of the above**
9. During your accounting internship (June 3-30), the balance of the  
Accounts Payable account has: \_\_\_\_\_  
**A. increased.**  
**B. decreased.**  
**C. not changed.**

**FINAL PROJECT EVALUATION ZACKS BIKE HUT continued...**

10. During the period of your accounting internship, the balance of the Cash account: \_\_\_\_\_  
A. increased.  
B. decreased.  
C. did not change.
11. Has the correct Cash balance fallen below \$30,000.00 at any time during your internship? **Answer Y for Yes or N for No.** \_\_\_\_\_
12. How much cash was paid out by check on June 29? \$\_\_\_\_\_
13. The June 23 credit entry of \$749.00 to the Cash Account was for the payment of: \_\_\_\_\_  
A. Transportation In  
B. Delivery Expense  
C. Supplies  
D. None of the above
14. How many inventory items are at or below the reorder point? \_\_\_\_\_  
A. One  
B. Two  
C. Three  
D. Eight  
E. None of the above.
15. How many **A0016** inventory items are currently in stock? \_\_\_\_\_  
A. One  
B. Two  
C. Three  
D. Five  
E. None of the above.
16. How many of the following inventory items (**A0008, A0300, B1010, C2300, and C2355**) are at or below the reorder point? \_\_\_\_\_  
A. One  
B. Two  
C. Three  
D. Four  
E. None of the above.

**FINAL PROJECT EVALUATION ZACKS BIKE HUT continued...**

17. Round all percentage answers to two decimal positions: (4.57689% = 4.58%). Total Cost of Goods Sold is what percent of Net Sales? \_\_\_\_\_  
A. 60.25%  
B. 60.52%  
C. 65.20%  
D. 62.50%  
E. None of the above.
18. Total Gross Profit is what percent of the total of Net Sales and Total Fees Earned? \_\_\_\_\_  
A. 45.58%  
B. 48.78%  
C. 49.07%  
D. 56.94%  
E. None of the above.
19. Income From Operations is what percent of Total Net Revenues? \_\_\_\_\_  
A. 24.48%  
B. 25.95%  
C. 26.94%  
D. 28.76%  
E. None of the above.
20. Last quarter the Total Selling Expenses were 9.14% of Total Net Revenues. Has this quarter, ending June 30, been an improvement over last quarter? **Answer Y for Yes or N for No.** \_\_\_\_\_
21. Salaries and Wages Expense is what percent of Total Net Revenues? \_\_\_\_\_  
A. 9.84%  
B. 10.13%  
C. 9.11%  
D. 9.25%
22. What is the current ratio for Zacks Bike Hut (current assets divided by current liabilities)? \_\_\_\_\_  
A. 3.18:1  
B. 3.66:1  
C. 2.37:1  
D. 6.78:1

**FINAL PROJECT EVALUATION ZACKS BIKE HUT continued...**

23. Sales Returns and Allowances is what percent of Sales? \_\_\_\_\_  
A. 2.81%  
B. 2.89%  
C. 2.00%  
D. 2.18%
24. Does Zacks Bike Hut have enough cash on hand to meet the current debt? Answer Y for Yes or N for No. \_\_\_\_\_
25. What is the net realizable value of the Accounts Receivable? \_\_\_\_\_
26. What has been the **Net** increase in Retained Earnings this quarter? \_\_\_\_\_
27. What must be the last account listed on the Post-Closing Trial Balance? \_\_\_\_\_  
A. **Common Stock**  
B. **Dividends Declared**  
C. **Retained Earnings**  
D. **Cash**
28. After closing, what is the balance of the Income Summary account? \_\_\_\_\_  
A. **\$34,105.94**  
B. **\$44,188.36**  
C. **\$38,606.13**  
D. **\$0.00**
29. If the transportation-in costs had been reduced to zero through more successful negotiation of merchandise contracts, what would be the Gross Profit on Sales? \$ \_\_\_\_\_
30. If \$400.00 of Delivery Expense charges was found to be recorded in the Transportation-In account, and this error was corrected, the Gross Profit would change by \$400.00 and the balance of Net Income be: \_\_\_\_\_  
A. **increased.**  
B. **decreased.**  
C. **unchanged.**