

ACCT 100 - Chapter 5

I. Adjusting Entries - So far we have done the following:

A. Accrual Basis of Accounting says we must include in revenue and expense any and all amounts that happened in that accounting period, regardless of when cash changes hands.

Therefore, we must make adjustments to update the accounts so the financial statements include all transactions that happened up to and including the last day of the accounting period.

B. New Accounts Introduced

	Account Name	Type	Normal Balance	Used to:
1.				
2.				
3.				
4.				

II. The Adjustments

- Supplies – when we purchased supplies, we debited the asset account supplies. This asset account is used to report the amount of supplies the company owns as of the balance sheet date. If we have used some of the supplies, the amount of supplies used should be reported as an expense and the asset account should be decreased to report the actual amount of supplies the company has on hand as of the balance sheet date.

Eli’s Consulting Service purchased \$1,500 of supplies on November 28, 20X1. As of December 31, 20X1, only \$1,000 in supplies were left.

Supplies	Supplies Expense
1,500	

	DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	
1	20X1					1
2	Dec	31				2
3						3
4						4

- Prepaid Rent – On November 30, 20X1, Eli’s Consulting Services paid for two months of rent in advance. The \$8,000 was debited to the asset account Prepaid Rent because the rent will not be an expense to Eli’s until she has occupied the space for the month. Once the month is over then the rent becomes an expense.

Prepaid Rent	Rent Expense
8,000	

	DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	
1	20X1					1
2	Dec	31				2
3						3
4						4

3. Depreciation Expense – the assets we buy we use to produce revenue. As we use the assets, we create an expense, therefore, we must spread the cost of the asset into expense over the number of years we think the assets will continue to produce revenues for us. This process is called Depreciation.

The depreciation you are familiar with usually means “a decrease in value”. Accounting depreciation means “using up the usefulness of an asset”.

Need 3 pieces of information:

Equipment	Accumulated Depreciation - Equipment	Depreciation Expense

	DATE		DESCRIPTION	POST REF	DEBIT	CREDIT	
1	20X1						1
2	Dec	31					2
3							3
4							4

Eli's Consulting  
T-Accounts  
For the Month Ended December 31, 20X1

	Cash
111,350	

	Accounts Receivable
5,000	

	Supplies
1,500	

	Prepaid Rent
8,000	

	Equipment
11,000	

	Accumulated Depreciation - Equipment

	Accounts Payable
	3,500

	Eli's, Capital
	11,000

	Eli's, Drawing
5,000	

	Fees Income
	47,000

	Salaries Expense
8,000	

	Utilities Expense
650	

	Rent Expense

	Supplies Expense

	Depreciation Expense

Eli's Consulting  
 Trial Balance  
 December 31, 20X1

Account	Debit	Credit
Cash	111,350	
Accounts Receivable	5,000	
Supplies	1,500	
Prepaid Rent	8,000	
Equipment	11,000	
Accounts Payable		3,500
Eli's, Capital		100,000
Eli's, Drawing	5,000	
Fees Income		47,000
Salaries Expense	8,000	
Utilities Expense	650	
	150,500	150,500

Eli's Consulting  
Adjusted Trial Balance  
December 31, 20X1

Account	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid Rent		
Equipment		
Accumulated Depreciation		
Accounts Payable		
Well's, Capital		
Well's, Drawing		
Fees Income		
Salaries Expense		
Utilities Expense		
Salaries Expense		
Rent Expense		
Depreciation Expense		



Estate Planning & Investments Company  
T-Accounts

For the Month Ended June 30, 20X1

Cash	
78,800	
Accounts Receivable	
24,400	
Supplies	
30,400	
Prepaid Advertising	
57,600	
Prepaid Rent	
144,000	
Equipment	
192,000	

Accumulated Depreciation - Equipment	
Accounts Payable	43,200
Sam Nix, Capital	240,400
Sam Nix, Drawing	16,000
Fees Income	295,200
Advertising Expense	

Depreciation Expense - Equipment	
Rent Expense	
Salaries Expense	30,400
Supplies Expense	
Utilities Expense	5,200







# General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
1						1
2						2
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# General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
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# General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
1						1
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## ACCT 100 - Chapter 5 Adjusting Entries

Journalize the following adjusting entries. Each entry is independent of the others. All adjusting entries are as of December 31, 2020.

1. A one-year insurance policy was purchased on August 1, 2020, for \$1,428.
2. The balance in the supplies account before adjustment is \$4,580. As of December 31, 2020, there were only \$1,360 of supplies left.
3. Equipment was purchased January 1, 2020, for \$65,000. The equipment has an estimated useful life of 6 years and a residual value of \$3,500.
4. A one-year insurance policy was purchased September 1, 2020, for \$3,240.
5. During the year the company purchased \$2,657 in supplies; \$1,916 of the supplies were used.
6. Equipment was purchased on March 31, 2020, for \$300,000. The equipment has an estimated useful life of 8 years and a residual value of \$26,400.
7. An insurance policy was purchased on July 31, 2020, for \$2,500; \$1,042 of the policy has expired.
8. The balance in the supplies account before adjustment is \$3,749. An inventory of supplies at the end of the year shows \$993 on hand.
9. Equipment was purchased for \$27,500 on August 31, 2020. The equipment has a salvage value of \$3,500 and a useful life of 10 years.

# General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
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