**Activity 7.10.1 – Analyzing and Journalizing Adjusting Entries**

**Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class:\_\_\_\_\_\_\_\_\_**

Purpose: Demonstrate skill in analyzing and journalizing adjusting entries for a fiscal period.

1. Have your students enter this chart of accounts and balances for Best Computer Services, Inc. Be sure debits equal credits and print a Trial Balance.

|  |  |  |
| --- | --- | --- |
| Best Computer Services, Inc. – Chart of Accounts | | |
|  | **ASSETS** |  |
|  | **Current Assets** |  |
| 1110 | Cash | 19,844.00 |
| 1115 | Petty Cash | 200.00 |
| 1116 | Notes Receivable | 5,000.00 |
| 1120 | Interest Receivable | 100.00 |
| 1125 | Accounts Receivable | 2,192.00 |
| 1130 | Allow. For Uncollectible Accounts | 492.00 |
| 1135 | Merchandise Inventory | 44,900.00 |
| 1140 | Supplies | 625.00 |
| 1145 | Prepaid Insurance | 1,000.00 |
|  | **Plant Assets** |  |
| 1205 | Office Equipment | 10,900.00 |
| 1210 | Accum. Depreciation—Office Equipment | 900.00 |
| 1215 | Store Equipment | 19,000.00 |
| 1220 | Accum. Depreciation—Store Equipment | 1,400.00 |
|  | **LIABILITIES** |  |
|  | **Current Liabilities** |  |
| 2105 | Notes Payable | 5,600.00 |
| 2110 | Interest Payable | 250.00 |
| 2115 | Accounts Payable | 975.00 |
| 2120 | Emp. Income Tax Payable | 777.00 |
| 2125 | Federal Income Tax Payable | 4,000.00 |
| 2130 | FICA Tax Payable | 929.00 |
| 2135 | Sales Tax Payable | 737.00 |
| 2140 | Unemployment Tax Payable—Federal | 999.00 |
| 2145 | Unemployment Tax Payable—State | 1,925.00 |
| 2150 | Health Insurance Premium Payable | 545.00 |
| 2155 | Dividends Payable | 10,000.00 |
|  | **Stockholder’s Equity** |  |
| 3105 | Capital Stock | 14,000.00 |
| 3110 | Retained Earnings | 98,000.00 |
| 3115 | Dividends | 10,000.00 |
| 3120 | Income Summary |  |
|  | **Operating Revenue** |  |
| 4105 | Sales | 27,360.00 |
| 4110 | Sales Discount | 1,736.00 |
| 4115 | Sales Returns and Allowances | 176.00 |
|  | **Cost of Merchandise** |  |
| 5105 | Purchases | 53,000.00 |
| 5110 | Purchases Discount | 5,300.00 |
| 5115 | Purchases Returns and Allowances | 275.00 |
|  | **Operating Expenses** |  |
| 6105 | Advertising Expense | 500.00 |
| 6110 | Credit Card Fee Expense | 80.00 |
| 6120 | Depreciation Expense—Office Equipment |  |
| 6125 | Depreciation Expense—Store Equipment |  |
| 6130 | Insurance Expense |  |
| 6135 | Miscellaneous Expense | 250.00 |
| 6140 | Payroll Tax Expense | 1,050.00 |
| 6145 | Rent Expense | 3,000.00 |
| 6150 | Salary Expense | 2,000.00 |
| 6155 | Supplies Expense |  |
| 6160 | Uncollectible Accounts Expense |  |
| 6165 | Utilities Expense | 357.00 |
|  | **Other Revenue** |  |
| 7105 | Gain on Plant Assets | 0 |
| 7110 | Interest Income | 525.00 |
|  | **Other Expenses** |  |
| 8105 | Cash Short and Over | 0 |
| 8110 | Interest Expense | 129.00 |
| 8115 | Loss on Plant Assets | 0 |
|  | **Income Tax Expense** |  |
| 9105 | Federal Income Tax Expense | 9,000.00 |

1. Have students plan the adjustments on an input sheet. Use this information:
   * Notes Receivable No. 17 was received on July 1, 2003. This note is an 18 month note at 18% interest rate. Calculate the accrued interest income and adjust accordingly.
   * The business estimates uncollectible accounts expense at 1% of Net Sales. Calculate the uncollectible accounts expense and adjust accordingly.
   * The ending merchandise inventory was $46,000.00
   * The ending supplies inventory was $825.00
   * The value of prepaid insurance at the end of the month was $800.00

Office Equipment to depreciate:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Equipment** | **Purchased** | **Original Cost** | **Salvage Value** | **Useful Life** | **Depreciation 2003** |
| Color Laser Printer | 1-01-02 | $5,000.00 | $500.00 | 4 years |  |
| Computer | 7-01-04 | $4,200.00 | $400.00 | 4 years |  |
| **Total Depreciation Adjustment for Office Equipment** | | | | |  |

Store Equipment to depreciate:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Equipment** | **Purchased** | **Original Cost** | **Salvage Value** | **Useful Life** | **Depreciation 2003** |
| Floor Waxer | 12-01-03 | $8,400.00 | $1,000 | 10 years |  |

* Notes Payable No. 12 was issued on December 1, 2003. This note is an 18 month note at 18% interest rate. Calculate the accrued interest expense and adjust accordingly.
* Federal income tax expense for the year is $11,918.00.

1. Check adjustments total for students. Have your students enter the adjustments in the computer and print a new Trial Balance.