

Student ID No. - -

Name

AC201-BE-2-2014

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This means that all the balances on the following
Unadjusted Trial Balance have been last updated on
November 30, 2013.

AC201 Fundamental Accounting

Therefore, the required adjusting journal entries
are for only the month of December 2013.

Quiz #6 - A

Silver Lining Limited provides investment advisory services. The company adjusted its account
monthly, but performs closing entries annually on December 31. The firm's unadjusted trial balance
dated December 31 is as follows.

SILVER LINING LIMITED
Unadjusted Trial Balance
31 December 2013

	Debit	Credit
Cash	\$ 42,835	
Accounts receivable	2,000	
Office supplies	205	
Prepaid rent	1,200	
Unexpired insurance	270	
Office equipment	54,000	
Accumulated depreciation: office equipment		\$ 35,250
Accounts payable		1,400
Interest payable		360
Income taxes payable		1,750
Notes payable		9,000
Unearned consulting services revenue		3,500
Share capital		30,000
Retained earnings		8,000
Dividends	1,000	
Consulting services revenue		60,000
Office supplies expense	605	
Depreciation expense: office equipment	8,250	
Rent expense	3,525	
Insurance expense	1,010	
Salaries expense	27,100	
Interest expense	360	
Income taxes expense	6,900	
Totals	<u>\$149,260</u>	<u>\$149,260</u>

Prepare the necessary adjusting journal entries on December 31, 2013 from the following information.

Accrued (= received, gained, earned) but unrecorded and uncollected consulting services revenue totals \$1,500 at December 31, 2013.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Accounts receivable (A+)	1,500	
		Consulting service revenue (REV+, SE+)		1,500

The company determined that \$2,500 of previously unearned consulting services revenue had been earned at December 31, 2013.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Unearned consulting service revenue (L-)	2,500	
		Consulting service revenue (REV+, SE+)		2,500

Office supplies on hand at December 31, 2013 total \$110.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Office supplies expense (EXP+, SE-)	95	
		Office supplies (A-)		95
		[supplies used in December = 205 – 110 = 95]		

The company purchased all of its equipment when it first began business. At that time, the estimated useful life of the equipment was 6 years (72 months).

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Depreciation expense (EXP+, SE-)	750	
		Accumulated depreciation (XA+, A-)		750
		[depreciation expense for December = original cost 54,000 ÷ 72 months = 750]		

The company prepaid its 6-month rent agreement on October 1, 2013.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Rent expense (EXP+, SE-)	300	
		Prepaid rent (A-)		300
		[rent expense for December = prepaid rent as of Nov 30 of 1,200 ÷ remaining period 4 months = 300]		

Accrued but *unpaid* salaries total \$1,900 at December 31, 2013.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Salaries expense (EXP+, SE-)	1,900	
		Salaries payable (L+)		1,900

On June 1, 2013, the company borrowed \$9,000 by signing a 9-month, 8% note payable. The entire amount, plus interest, is due on March 1, 2014.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Interest expense (EXP+, SE-)	60	
		Interest payable (L+)		60
		[interest expense for December = 9,000 x 0.08 x 1/12 = 60]		

The company's CPA estimates that income taxes expense for the *entire year* is \$7,500. The unpaid portion of this amount is due early in 2014.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Income tax expense (EXP+, SE-)	600	
		Income tax payable (L+)		600
		[income tax expense for the entire year 7,500 – income tax expense that has been recorded 6,900 = 600]		