Student ID No. ☐☐-☐☐-☐☐-☐☐☐☐

Name ....

AC201-BE-2-2014

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AC201 Fundamental Accounting
Quiz #7 - A

Due date: Section/Group 046401 (Mon) – Friday, February 20, 2015 before 12:00 Noon, at BE Office.
Section/Group 046402 (Fri) – Tuesday, February 24, 2015 before 12:00 Noon, at BE Office.

Penalty: Late submission will receive 0 (zero) point for this quiz.

Debit Doctors Limited provides accounting advice over the Internet. In recent years, the company has experienced severe financial difficulty. Its accountant prepares adjusting entries on a *monthly* basis and closing entries on an *annual* basis at December 31. An adjusted trial balance dated December 31 is as follows.

DEBIT DOCTORS LIMITED
Adjusted Trial Balance
31 December 2013

	Debits	Credits
Cash	$ 450	
Accounts receivable	220	
Unexpired insurance	1,600	
Prepaid rent	1,800	
Supplies	900	
Furniture and fixtures	10,000	
Accumulated depreciation: furniture and fixtures		$ 6,600
Accounts payable		7,100
Notes payable		24,000
Salaries payable		2,100
Interest payable		170
Unearned client revenue		600
Share capital		4,000
Retained earnings		2,000
Client revenue earned		56,700
Insurance expense	6,200	
Office rent expense	12,000	
Supplies expense	300	
Salary expense	48,000	
Depreciation expense: furniture and fixtures	1,200	
Office and telephone expense	4,600	
Internet service expense	7,200	
Legal expense	1,800	
Interest expense	2,700	
Miscellaneous expense	4,300	
	$103,270	$103,270

Instructions:

1. Prepare a statement of income and statement of changes in equity for the year ended December 31, 2013. Also prepare the company's statement of financial position dated December 31, 2013. (Hint: The company incurred no income taxes expense in 2013.)
2. Prepare the necessary year-end closing entry.
3. Prepare an post-closing trial balance.

DEBIT DOCTORS LIMITED
Statement of Income
For the year ended December 31, 2013

Revenues:	
Client revenue earned	$ 56,700
Expenses:	
Insurance expense	6,200
Office rent expense	12,000
Supplies expense	300
Salary expense	48,000
Depreciation expense: furniture and fixtures	1,200
Office and telephone expense	4,600
Internet service expense	7,200
Legal expense	1,800
Interest expense	2,700
Miscellaneous expense	4,300
	88,300
Net income (loss)	$ (31,600)

DEBIT DOCTORS LIMITED
Statement of Shareholders' Equity
For the year ended December 31, 2013

	Share Capital	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2013	4,000	2,000	6,000
Net income (loss)	-	(31,600)	(31,600)
Dividend	-	-	-
Balance, December 31, 2013	4,000	(29,600)	(25,600)

DEBIT DOCTORS LIMITED
Statement of Financial Position
As of December 31, 2013

Assets

Current assets	
Cash	$ 450
Accounts receivable	220
Unexpired insurance	1,600
Prepaid rent	1,800
Supplies	900
Total current assets	4,970
Furniture and fixtures – net of accumulated depreciation	3,400
Total assets	$ 8,370

Liabilities & Stockholders' Equity

Current liabilities	
Accounts payable	$ 7,100
Notes payable	24,000
Salaries payable	2,100
Interest payable	170
Unearned client revenue	600
Total current liabilities	33,970
Stockholders' Equity	
Share capital	4,000
Retained earnings (deficit)	(29,600)
Total stockholders' equity	(25,600)
Total liabilities & stockholders' equity	$ 8,370

Year-end closing entry:

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Date		Account Titles and Explanation	Debit	Credit
Dec 31		Client revenue earned	56,700	
		Retained earnings	31,600	
		Insurance expense		6,200
		Office rent expense		12,000
		Supplies expense		300
		Salary expense		48,000
		Depreciation expense: furniture and fixtures		1,200
		Office and telephone expense		4,600
		Internet service expense		7,200
		Legal expense		1,800
		Interest expense		2,700
		Miscellaneous expense		4,300

Post-closing trial balance:

DEANA'S DECORATORS
Post-closing Trial Balance
December 31, 2014

Accounts	Debit	Credit
Cash	450	
Accounts receivable	220	
Unexpired insurance	1,600	
Prepaid rent	1,800	
Supplies	900	
Furniture and fixtures	10,000	
Accumulated depreciation - furniture and fixtures		6,600
Accounts payable		7,100
Notes payable		24,000
Salaries payable		2,100
Interest payable		170
Unearned client revenue		600
Share capital		4,000
Retained earnings	29,600	
Client revenue earned		0
Insurance expense	0	
Office rent expense	0	
Supplies expense	0	
Salary expense	0	
Depreciation expense: furniture and fixtures	0	
Office and telephone expense	0	
Internet service expense	0	
Legal expense	0	
Interest expense	0	
Miscellaneous expense	0	
Totals	44,570	44,570