

GENERAL JOURNAL				
	Date	Account Titles and Explanation	Debit	Credit
a.	Dec 31	Supplies expense (EXP+, E-)	1,000	
		Supplies (A-)		1,000
b.	Dec 31	Rent expense (EXP+, E-)	4,000	
		Prepaid rent (A-)		4,000
c.	Dec 31	Insurance expense (EXP+, E-)	3,500	
		Prepaid insurance (A-)		3,500
d.	Dec 31	Depreciation expense (EXP+, E-)	2,000	
		Accumulated depreciation (XA+,A-)		2,000
e.	Dec 31	Unearned revenue (L-)	400	
		Decorating revenue (REV+,E+)		400
f.	Dec 31	Interest receivable (A+)	1,200	
		Investment income (REV+,E+)		1,200
g.	Dec 31	Interest expense (EXP+,E-)	3,000	
		Interest payable (L+)		3,000
h.	Dec 31	Income tax expense (EXP+,E-)	26,110	
		Income tax payable (L+)		26,110
i.	Dec 31	Retained earnings (E-)	750	
		Dividend payable (L+)		750

Step 3: Post the adjusting entries to T-accounts to bring the accounts up to date at the end of the accounting period.

Shown in the T-accounts below are the unadjusted account balances from page 1. Post the adjusting journal entries on previous page to the T-accounts below.

Assets				Liabilities				Stockholders' Equity					
+ Cash –				- Accounts Payable +				- Common Stock +					
Unadj.	43,450					Unadj.	250			Unadj.	10,000		
+ Supplies –				- Dividend Payable +				- Retained Earnings +					
Unadj.	1,800					Unadj.	0	(i)	750	Unadj.	0		
		(a)	1,000										
+ Accounts Receivable –				- Unearned Revenue +				- Decorating Revenue +					
Unadj.	4,000					Unadj.	500			Unadj.	120,000		
				(e)	400					(e)	400		
+ Prepaid Rent –				- Notes Payable +				- Investment Income +					
Unadj.	12,000					Unadj.	30,000			(f)	1,200		
		(b)	4,000										
+ Prepaid Insurance –				- Interest Payable +				+ Wage Expense –					
Unadj.	6,000					Unadj.	0	Unadj.	32,000				
		(c)	3,500			(g)	3,000						
+ Certificate of Deposit –				- Income Tax Payable +				+ Utilities Expense –					
Unadj.	20,000					Unadj.	0	Unadj.	1,000				
						(h)	26,110						
+ Interest Receivable –				+ Telephone Expense –				+ Supplies Expense –					
Unadj.	0					Unadj.	500	(a)	1,000				
(f)	1,200							(b)	4,000				
+ Property, Plant & Equipment –				+ Insurance Expense –				+ Rent Expense –					
Unadj.	40,000					Unadj.	3,500	(c)	3,500				
								(d)	2,000				
- Accumulated Depr. +				+ Depreciation Expense –				+ Interest Expense –					
		Unadj.	0			Unadj.	3,000	(g)	3,000				
		(d)	2,000					(h)	26,110				
+ Income Tax Expense –				+ Income Tax Expense –				+ Income Tax Expense –					

Step 4: Prepare an adjusted trial balance as of December 31, 2014

DEANA'S DECORATORS
Trial Balance
As at December 31, 2014

[Balances from Page 1]

[Closing Entry from Page 8]

Accounts	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance		Closing Entry		Post-Closing Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	43,450				43,450				43,450	
Supplies	1,800			(a) 1,000	800				800	
Accounts Receivable	4,000				4,000				4,000	
Prepaid Rent	12,000			(b) 4,000	8,000				8,000	
Prepaid Insurance	6,000			(c) 3,500	2,500				2,500	
Certificate of Deposit	20,000				20,000				20,000	
Interest Receivable	0		(f) 1,200		1,200				1,200	
Property, Plant & Equipment	40,000				40,000				40,000	
Accumulated Depreciation		0		(d) 2,000		2,000				2,000
Accounts Payable		250				250				250
Dividend Payable		0		(i) 750		750				750
Unearned Revenue		500	(e) 400			100				100
Notes Payable		30,000				30,000				30,000
Interest Payable		0		(g) 3,000		3,000				3,000
Income Tax Payable		0		(h) 26,110		26,110				26,110
Common Stock		10,000				10,000				10,000
Retained Earnings		0	(i) 750		750		(A) 48,490			47,740
Decorating Revenue		120,000		(e) 400		120,400	(A) 120,400			0
Investment Income		0		(f) 1,200		1,200	(A) 1,200			0
Wage Expense	32,000				32,000		(A) 32,000		0	
Utilities Expense	1,000				1,000		(A) 1,000		0	
Telephone Expense	500				500		(A) 500		0	
Supplies Expense	0		(a) 1,000		1,000		(A) 1,000		0	
Rent Expense	0		(b) 4,000		4,000		(A) 4,000		0	
Insurance Expense	0		(c) 3,500		3,500		(A) 3,500		0	
Depreciation Expense	0		(d) 2,000		2,000		(A) 2,000		0	
Interest Expense	0		(g) 3,000		3,000		(A) 3,000		0	
Income Tax Expense	0		(h) 26,110		26,110		(A) 26,110		0	
Totals	160,750	160,750	41,960	41,960	193,810	193,810	121,600	121,600	119,950	119,950

Step 5: Prepare the Statement of Comprehensive Income, Statement of Stockholders' Equity, and Statement of Financial Position

Use balances from the adjusted trial balance on the previous page to prepare (1) Statement of Income; (2) Statement of Stockholders' Equity; and (3) Statement of Financial Position for Deana's Decorators as of and for the year ended December 31, 2014.

DEANA'S DECORATORS
Statement of Income
For the year ended December 31, 2014

Revenues:	
Decorating revenue	\$120,400
Investment income	<u>1,200</u>
Total revenues	<u>121,600</u>
Expenses:	
Wages expense	32,000
Utilities expense	1,000
Telephone expense	500
Supplies expense	1,000
Rent expense	4,000
Insurance expense	3,500
Depreciation expense	2,000
Interest expense	<u>3,000</u>
Total expenses	<u>47,000</u>
Pretax income	74,600
Less: Income tax expense	<u>(26,110)</u>
Net income	<u>\$48,490</u>

DEANA'S DECORATORS
Statement of Stockholders' Equity
For the year ended December 31, 2014

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2014	\$10,000	\$ 0	\$10,000
Net income	-	48,490	48,490
Dividend	-	<u>(750)</u>	<u>(750)</u>
Balance, December 31, 2014	<u>\$10,000</u>	<u>\$47,740</u>	<u>\$57,740</u>

DEANA'S DECORATORS
Statement of Financial Position
As of December 31, 2014

Assets

Current assets	
Cash	\$ 43,450
Certificate of deposit	20,000
Supplies	800
Accounts receivable	4,000
Interest receivable	1,200
Prepaid rent	8,000
Prepaid insurance	<u>2,500</u>
Total current assets	79,950
Property, plant and equipment – net of accumulated depreciation	<u>38,000</u>
Total assets	<u>\$ 117,950</u>

Liabilities & Stockholders' Equity

Current liabilities	
Accounts payable	\$ 250
Dividends payable	750
Unearned revenue	100
Notes payable	30,000
Interest payable	3,000
Income tax payable	<u>26,110</u>
Total current liabilities	<u>60,210</u>
Stockholders' Equity	
Common stock	10,000
Retained earnings	<u>47,740</u>
Total stockholders' equity	<u>57,740</u>
Total liabilities & stockholders' equity	<u>\$ 117,950</u>

Step 6: Close the book.

For Deana’s Decorators, prepare the required closing entries. Post the entries to the T-accounts shown on the next page. Then, prepare a post-closing trial balance.

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit
Dec 31	Revenue (REV-)	120,400	
	Investment Income (REV-)	1,200	
	Retained Earnings (E+)		48,490
	Wage Expense (EXP+, E-)		32,000
	Utilities Expense (EXP+, E-)		1,000
	Telephone Expense (EXP+, E-)		500
	Supplies Expense (EXP+, E-)		1,000
	Rent Expense (EXP+, E-)		4,000
	Insurance Expense (EXP+, E-)		3,500
	Depreciation Expense (EXP+, E-)		2,000
	Interest Expense (EXP+, E-)		3,000
	Income Tax Expense (EXP+, E-)		26,110