

AC201 Fundamental Accounting Exercise

The ledger of Perfect Plus Company on March 31, 2014, includes these selected accounts **before adjusting entries** are prepared.

	Unadjusted Trial Balance	
	Debit	Credit
Prepaid insurance	468,000	
Supplies	120,000	
Equipment	3,000,000	
Accumulated depreciation-Equipment		600,000
Unearned service revenue		128,000

Require: Prepare the adjusting journal entries for the month of March 2014.

- Insurance expires at the rate of \$13,000 per month.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Mar	31	Insurance expense	13,000	
		Prepaid insurance		13,000

- Supplies on hand total \$30,000.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Mar	31	Supplies expense	90,000	
		Supplies		90,000
		[120,000 – 30,000 = 90,000]		

- The equipment depreciates \$5,000 a month.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Mar	31	Depreciation expense	5,000	
		Accumulated depreciation		5,000

- One-half of the unearned service revenue was recognized in March.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Mar	31	Unearned service revenue	64,000	
		Service revenue		64,000
		[128,000 ÷ 2 = 64,000]		

Micro Computer Services Inc. began operations on August 1, 2014. At the end of August 2014, management attempted to prepare monthly financial statements. The following information relates to August.

Require: Prepare the adjusting journal entries needed August 31, 2014.

1. At August 31, the company owed its employees \$8,000 in salaries and wages that will be paid on September 1, 2014.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Aug	31	Salaries and wages expense	8,000	
		Salaries and wages payable		8,000

2. On August 1, the company borrowed \$300,000 from a local bank on a 15-year mortgage. The annual interest rate is 10%. The borrowing had been properly recorded.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Aug	31	Interest expense	2,500	
		Interest payable		2,500
		[300,000 x 10%] ÷ 12		

3. Revenue for services performed but unrecorded for August totaled \$11,000.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Aug	31	Accounts receivable	11,000	
		Service revenue		11,000