

1. Which of the following is true of accrual basis accounting and cash basis accounting?

- A. Accrual accounting records revenue only when it is earned.
 - B. Accrual accounting is not allowed under GAAP.
 - C. Cash basis accounting records all transactions.
 - D. All of the above are true.
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2. Get Fit Now gains a client who prepays \$540 for a package of six physical training sessions. Get Fit Now collects the \$540 in advance and will provide the training later. After four training sessions, what should Get Fit Now report on its income statement assuming it uses the accrual basis accounting method?

Review Only

Click the icon to see the Worked Solution.

- A. Service revenue of \$360
 - B. Service revenue of \$540
 - C. Unearned service revenue of \$360
 - D. Cash of \$180
-

3. The revenue recognition principle requires

- A. time to be divided into annual periods to measure revenue properly.
 - B. revenue to be recorded only after the business has earned it.
 - C. expenses to be matched with revenue of the period.
 - D. revenue to be recorded only after the cash is received.
-

4. Adjusting the accounts is the process of

- A. subtracting expenses from revenues to measure net income.
 - B. recording transactions as they occur during the period.
 - C. updating the accounts at the end of the period.
 - D. zeroing out account balances to prepare for the next period.
-

5. Which of the following is an example of a deferral (or prepaid) adjusting entry?

- A. Recording the usage of office supplies during the period.
 - B. Recording salaries expense for employees not yet paid.
 - C. Recording revenue that has been earned but not yet received.
 - D. Recording interest expense incurred on a notes payable not due until next year.
-

6. Assume that the weekly payroll of In the Woods Camping Supplies is \$300. December 31, end of the year, falls on Tuesday, and In the Woods will pay its employee on Friday for the full week. What adjusting entry will In the Woods make on Tuesday, December 31? (Use five days as a full work week.)

Review Only

Click the icon to see the Worked Solution.

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Salaries Expense Salaries Payable	120	120
<input type="radio"/> B.	Salaries Payable Salaries Expense	300	300
<input type="radio"/> C.	Salaries Expense Cash	120	120
<input type="radio"/> D.	<i>No adjustment is needed because the company will pay the payroll on Friday.</i>		

7. The adjusted trial balance shows

- A. amounts that may be out of balance.
- B. account balances after adjustments.
- C. assets and liabilities only.
- D. revenues and expenses only.

8. A & D Window Cleaning performed \$450 of services but has not yet billed customers for the month. If A & D fails to record the adjusting entry, what is the impact on the financial statements?

- A. balance sheet: assets understated; equity overstated
income statement: expense understated
- B. balance sheet: liabilities overstated; equity understated
income statement: revenues understated
- C. balance sheet: assets overstated, equity understated
income statement: expenses understated
- D. balance sheet: assets understated, equity understated
income statement: revenues understated

9. A worksheet

- A. is a journal used to record transactions.
- B. is a financial statement that reports net income during the period.
- C. is an internal document that helps summarize data for the preparation of financial statements.
- D. is a ledger listing the account balances and changes in those accounts.

10. On February 1, Clovis Wilson Law Firm contracted to provide \$3,000 of legal services for the next three months and received \$3,000 cash from the client. Assuming Wilson records deferred revenues using the alternative treatment, what would be the adjusting entry recorded on February 28?

Review Only

Click the icon to see the Worked Solution.

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Cash Unearned Revenue	3,000	3,000
<input type="radio"/> B.	Service Revenue Unearned Revenue	2,000	2,000
<input type="radio"/> C.	Unearned Revenue Service Revenue	1,000	1,000
<input type="radio"/> D.	Cash Service Revenue	3,000	3,000

11. Consider the following independent situations at December 31:

¹(Click the icon to view the situations.)

Journalize the adjusting entry needed on December 31 for each situation. Use the letters to label the journal entries. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Review Only

Click the icon to see the Worked Solution.

a. On April 1, a business collected \$6,000 rent in advance, debiting Cash and crediting Unearned Revenue. The tenant was paying one year's rent in advance. At December 31, the business must account for the amount of rent it has earned.

Date	Accounts and Explanation	Debit	Credit
(a) Dec. 31	(1)		
	(2)		
	(3)		
	(4)		
	(5)		

b. Salaries expense is \$1,000 per day—Monday through Friday—and the business pays employees each Friday. This year December 31 falls on a Thursday.

Date	Accounts and Explanation	Debit	Credit
(b) Dec. 31	(6)		
	(7)		
	(8)		
	(9)		
	(10)		

c. The unadjusted balance of the Office Supplies account is \$3,300. Office supplies on hand total \$1,400.

Date	Accounts and Explanation	Debit	Credit
(c) Dec. 31	(11)		
	(12)		
	(13)		
	(14)		
	(15)		

d. Equipment depreciation was \$500.

Date	Accounts and Explanation	Debit	Credit
(d) Dec. 31	(16)		
	(17)		
	(18)		
	(19)		
	(20)		

e. On July 1, when the business prepaid \$3,000 for a two-year insurance policy, the business debited Prepaid Insurance and credited Cash.

Date	Accounts and Explanation	Debit	Credit
(e) Dec. 31	(21)		
	(22)		
	(23)		
	(24)		
	(25)		

1: More Info

- a. On April 1, a business collected \$6,000 rent in advance, debiting Cash and crediting Unearned Revenue. The tenant was paying one year's rent in advance. On December 31, the business must account for the amount of rent it has earned.
- b. Salaries expense is \$1,000 per day—Monday through Friday—and the business pays employees each Friday. This year December 31 falls on a Thursday.
- c. The unadjusted balance of the Office Supplies account is \$3,300. Office supplies on hand total \$1,400.
- d. Equipment depreciation was \$500.
- e. On July 1, when the business prepaid \$3,000 for a two-year insurance policy, the business debited Prepaid Insurance and credited Cash.

12. The worksheet of Next Job Employment Service follows but is incomplete.

²(Click the icon to view the worksheet.)

Requirements

1. Calculate and enter the adjustment amounts directly in the Adjustments columns. Use letters *a* through *d* to label the four adjustments.
2. Prepare each adjusting journal entry calculated in Requirement 1. Date the entries and include explanations.

Review Only

Click the icon to see the Worked Solution.

Requirement 1. Calculate and enter the adjustment amounts directly in the Adjustments columns. Use letters *a* through *d* to label the four adjustments.

The balance sheet accounts have only been assigned one possible letter reference, in order, (a, b, c, or d). To determine the letter reference to use for each adjustment, first determine the balance sheet account affected and then select the corresponding letter reference to adjust the applicable income statement account.

**Next Job Employment Service
Worksheet
April 30, 2016**

Account Names	Unadjusted Trial Balance		Adjustments				Adjusted Trial Balance	
	Debit	Credit	Debit	Credit		Debit	Credit	
Cash	\$ 900		(1)		(2)		\$ 900	
Accounts Receivable	4,900		(3)		(4)		5,600	
Office Supplies	1,200		(5)		(6)		1,000	
Equipment	32,500		(7)		(8)		32,500	
Accumulated Depreciation—Equipment		\$ 13,700	(9)		(10)			\$ 15,300
Salaries Payable			(11)		(12)			600
Common Stock		24,800	(13)		(14)			24,800
Dividends	5,000		(15)		(16)		5,000	
Service Revenue		9,500	(17)		(18)			10,200
Salaries Expense	2,200		(19)		(20)		2,800	
Rent Expense	1,300		(21)		(22)		1,300	
Depreciation Expense—Equipment			(23)		(24)		1,600	
Supplies Expense			(25)		(26)		200	
Total	\$ 48,000	\$ 48,000					\$ 50,900	\$ 50,900

Requirement 2. Prepare each adjusting journal entry calculated in Requirement 1. Date the entries and include explanations. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Journalize adjustment (a) from the worksheet you prepared in Requirement 1.

Review the worksheet.

Date	Accounts and Explanation	Debit	Credit
(a) Apr. 30	(27)		
	(28)		
	(29)		
	(30)		
	(31)		

Journalize adjustment (b) from the worksheet you prepared in Requirement 1.

Review the worksheet.

Date	Accounts and Explanation	Debit	Credit
(b) Apr. 30	(32)		
	(33)		
	(34)		
	(35)		
	(36)		

Journalize adjustment (c) from the worksheet you prepared in Requirement 1.

Review the worksheet.

Date	Accounts and Explanation	Debit	Credit
(c) Apr. 30	(37)		
	(38)		
	(39)		
	(40)		
	(41)		

Journalize adjustment (d) from the worksheet you prepared in Requirement 1.

Review the worksheet.

Date	Accounts and Explanation	Debit	Credit
(d) Apr. 30	(42)		
	(43)		
	(44)		
	(45)		
	(46)		

Next Job Employment Service

Worksheet

April 30, 2016

Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	\$ 900				\$ 900	
Accounts Receivable	4,900				5,600	
Office Supplies	1,200				1,000	
Equipment	32,500				32,500	
Accumulated Depreciation—Equipment		\$ 13,700				\$ 15,300
Salaries Payable						600
Common Stock		24,800				24,800
Dividends	5,000				5,000	
Service Revenue		9,500				10,200
Salaries Expense	2,200				2,800	
Rent Expense	1,300				1,300	
Depreciation Expense—Equipment					1,600	
Supplies Expense					200	
Total	\$ 48,000	\$ 48,000			\$ 50,900	\$ 50,900

13. The unadjusted trial balance of Andrew Air Purification System at December 31, 2016, and the data needed for the adjustments follow.

³(Click the icon to view the trial balance.)

⁴(Click the icon to view the adjusting entry information.)

Requirements

1. Journalize the adjusting entries on December 31.
2. The T-accounts, along with their unadjusted balances have been opened for you. Post the adjusting entries to the T-accounts.
3. Prepare the adjusted trial balance.
4. How will Andrew Air Purification System use the adjusted trial balance?

Review Only

Click the icon to see the Worked Solution.

Requirement 1. Journalize the adjusting entries on December 31. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

- a. On December 15, Andrew contracted to perform services for a client receiving \$2,900 in advance. Andrew recorded this receipt of cash as Unearned Revenue. As of December 31, Andrew has completed \$1,500 of the services.

Date	Accounts and Explanation	Debit	Credit
(a) Dec. 31	(1)		
	(2)		
	(3)		
	(4)		
	(5)		

- b. Andrew prepaid two months of rent on December 1. (Assume that the Prepaid Rent balance as shown on the unadjusted trial balance represents the two months of rent prepaid on December 1.)

Date	Accounts and Explanation	Debit	Credit
(b) Dec. 31	(6)		
	(7)		
	(8)		
	(9)		
	(10)		

- c. Andrew used \$400 of office supplies.

Date	Accounts and Explanation	Debit	Credit
(c) Dec. 31	(11)		
	(12)		
	(13)		
	(14)		
	(15)		

- d. Depreciation for the equipment is \$400.

Date	Accounts and Explanation	Debit	Credit
(d) Dec. 31	(16)		
	(17)		
	(18)		
	(19)		
	(20)		

e. Andrew received a bill for December's online advertising, \$600. Andrew will not pay the bill until January. (Use Accounts Payable.)

Date	Accounts and Explanation	Debit	Credit
(e) Dec. 31	(21)		
	(22)		
	(23)		
	(24)		
	(25)		

f. Andrew pays its employees on Monday for the previous week's wages. Its employees earn \$1,500 for a five-day work week. December 31 falls on Wednesday this year.

Date	Accounts and Explanation	Debit	Credit
(f) Dec. 31	(26)		
	(27)		
	(28)		
	(29)		
	(30)		

g. On October 1, Andrew agreed to provide a four-month air system check (beginning October 1) for a customer for \$2,000. Andrew has completed the system check every month but payment has not yet been received and no entries have been made.

Date	Accounts and Explanation	Debit	Credit
(g) Dec. 31	(31)		
	(32)		
	(33)		
	(34)		
	(35)		

Requirement 2. The T-accounts, along with their unadjusted balances have been opened for you. Post the adjusting entries to the T-accounts.

The T-accounts, along with their unadjusted balances, if applicable, have been opened for you. Post the adjusting entries to the T-accounts using the corresponding letters (a) through (f) as posting references. Use a "Bal." posting reference to show the ending balance of each account.

Review the adjusting journal entries you prepared in Requirement 1.

Cash				Accounts Payable				Service Revenue			
Dec. 31	7,300		(36)	(37)		3,100	Dec. 31	(38)		15,600	Dec. 31
(39)			(40)	(41)			(42)	(43)			(44)
(45)			(46)	(47)			(48)	(49)			(50)
(51)			(52)	(53)			(54)	(55)			(56)

Accounts Receivable				Salaries Payable				Salaries Expense			
Dec. 31	19,600		(57)	(58)			(59)	Dec. 31	3,200		(60)
(61)			(62)	(63)			(64)	(65)			(66)
(67)			(68)	(69)			(70)	(71)			(72)

Prepaid Rent				Unearned Revenue				Rent Expense			
Dec. 31	2,700		(73)	(74)		2,900	Dec. 31	(75)			(76)
(77)			(78)	(79)			(80)	(81)			(82)
(83)			(84)	(85)			(86)	(87)			(88)

Office Supplies				Common Stock				Depreciation Expense—Equipment			
Dec. 31	1,900		(89)	(90)		45,100	Dec. 31	(91)			(92)
(93)			(94)	(95)			(96)	(97)			(98)
(99)			(100)	(101)			(102)	(103)			(104)

Equipment				Dividends				Advertising Expense			
Dec. 31	24,000		(105)	Dec. 31	9,700		(106)	Dec. 31	1,900		(107)
(108)			(109)	(110)			(111)	(112)			(113)
(114)			(115)	(116)			(117)	(118)			(119)

Accumulated Depreciation—Equip			
(120)		3,600	Dec. 31
(123)			(124)
(127)			(128)

Supplies Expense			
(121)			(122)
(125)			(126)
(129)			(130)

Requirement 3. Prepare the adjusted trial balance.

Review the T-accounts you prepared in Requirement 2.

Andrew Air Purification System

Adjusted Trial Balance

December 31, 2016

Account Title	Balance	
	Debit	Credit
Cash		
Accounts Receivable		
Prepaid Rent		
Office Supplies		
Equipment		
Accumulated Depreciation—Equipment		
Accounts Payable		
Salaries Payable		
Unearned Revenue		
Common Stock		
Dividends		
Service Revenue		
Salaries Expense		
Rent Expense		
Depreciation Expense—Equipment		
Advertising Expense		
Supplies Expense		
Total		

Requirement 4. How will Andrew Air Purification System use the adjusted trial balance?

The company will use the adjusted trial balance to (131) _____ .

3: Data Table

Andrew Air Purification System

Unadjusted Trial Balance

December 31, 2016

Account Title	Balance	
	Debit	Credit
Cash	\$ 7,300	
Accounts Receivable	19,600	
Prepaid Rent	2,700	
Office Supplies	1,900	
Equipment	24,000	
Accumulated Depreciation—Equipment		\$ 3,600
Accounts Payable		3,100
Salaries Payable		
Unearned Revenue		2,900
Common Stock		45,100
Dividends	9,700	
Service Revenue		15,600
Salaries Expense	3,200	
Rent Expense		
Depreciation Expense—Equipment		
Advertising Expense	1,900	
Supplies Expense		
Total	<u>\$ 70,300</u>	<u>\$ 70,300</u>

4: More Info

Adjustment data at December 31 follow:

- a. On December 15, Andrew contracted to perform services for a client receiving \$2,900 in advance. Andrew recorded this receipt of cash as Unearned Revenue. As of December 31, Andrew has completed \$1,500 of the services.
- b. Andrew prepaid two months of rent on December 1.
- c. Andrew used \$400 of office supplies.
- d. Depreciation for the equipment is \$400.
- e. Andrew received a bill for December's online advertising, \$600. Andrew will not pay the bill until January. (Use Accounts Payable.)
- f. Andrew pays its employees on Monday for the previous week's wages. Its employees earn \$1,500 for a five-day work week. December 31 falls on Wednesday this year.
- g. On October 1, Andrew agreed to provide a four-month air system check (beginning October 1) for a customer for \$2,000. Andrew has completed the system check every month but payment has not yet been received and no entries have been made.

14. Care Mail Pack'n Mail completed the following transactions during 2016:

⁵(Click the icon to view the transactions.)

Read the [requirements](#)⁶.

Review Only

Click the icon to see the Worked Solution.

Requirement 1. Journalize the transactions assuming that Care Mail debits an asset account for prepaid expenses and credits a liability account for unearned revenues. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Nov. 1: Paid \$6,000 store rent covering the five-month period ending March 31, 2017.

Date	Accounts and Explanation	Debit	Credit
Nov. 1	(1)		
	(2)		
	(3)		
	(4)		
	(5)		

Nov. 1: Paid \$12,000 insurance covering the six-month period ending April 30, 2017.

Date	Accounts and Explanation	Debit	Credit
Nov. 1	(6)		
	(7)		
	(8)		
	(9)		
	(10)		

Dec. 1: Collected \$3,200 cash in advance from customers. The service revenue will be earned \$800 monthly over the four-month period ending March 31, 2017.

Date	Accounts and Explanation	Debit	Credit
Dec. 1	(11)		
	(12)		
	(13)		
	(14)		
	(15)		

Dec. 1: Collected \$5,200 cash in advance from customers. The service revenue will be earned \$1,300 monthly over the four-month period ending March 31, 2017.

Date	Accounts and Explanation	Debit	Credit
Dec. 1	(16)		
	(17)		
	(18)		
	(19)		
	(20)		

Requirement 2. Journalize the related adjusting entries at December 31, 2016. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Nov. 1: Paid \$6,000 store rent covering the five-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(21)		
	(22)		
	(23)		
	(24)		
	(25)		

Nov. 1: Paid \$12,000 insurance covering the six-month period ending April 30, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(26)		
	(27)		
	(28)		
	(29)		
	(30)		

Dec. 1: Collected \$3,200 cash in advance from customers. The service revenue will be earned \$800 monthly over the four-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(31)		
	(32)		
	(33)		
	(34)		
	(35)		

Dec. 1: Collected \$5,200 cash in advance from customers. The service revenue will be earned \$1,300 monthly over the four-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(36)		
	(37)		
	(38)		
	(39)		
	(40)		

Requirement 3. Post the journal and adjusting entries to the T-accounts, and show their balances at December 31, 2016. (Ignore the Cash account.) (Use dates as posting references to post the transactions and adjustments. Use a "Bal." posting reference to show the ending balance of each account. When posting more than one entry on the same date to a single T-account, post to that account in the same order as you prepared the entries in Requirements 1 and 2.)

Review the journal entries you prepared in Requirement 1.

Review the adjusting entries you prepared in Requirement 2.

Prepaid Rent				Unearned Revenue				Service Revenue			
(41)			(42)	(43)			(44)	(45)			(46)
(47)			(48)	(49)			(50)	(51)			(52)
(53)			(54)	(55)			(56)	(57)			(58)

Prepaid Insurance				Rent Expense			
(59)			(60)	(61)			(62)
(63)			(64)	(65)			(66)
(67)			(68)	(69)			(70)

Insurance Expense			
(71)			(72)
(73)			(74)
(75)			(76)

Requirement 4. Repeat Requirements 1-3. This time debit an expense account for prepaid expenses and credit a revenue account for unearned revenues.

Journalize the entries assuming that Care Mail debits an expense account for prepaid expenses and credits a revenue account for unearned revenues. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Nov. 1: Paid \$6,000 store rent covering the five-month period ending March 31, 2017.

Date	Accounts and Explanation	Debit	Credit
Nov. 1	(77)		
	(78)		
	(79)		
	(80)		
	(81)		

Nov. 1: Paid \$12,000 insurance covering the six-month period ending April 30, 2017.

Date	Accounts and Explanation	Debit	Credit
Nov. 1	(82)		
	(83)		
	(84)		
	(85)		
	(86)		

Dec. 1: Collected \$3,200 cash in advance from customers. The service revenue will be earned \$800 monthly over the four-month period ending March 31, 2017.

Date	Accounts and Explanation	Debit	Credit
Dec. 1	(87)		
	(88)		
	(89)		
	(90)		
	(91)		

Dec. 1: Collected \$5,200 cash in advance from customers. The service revenue will be earned \$1,300 monthly over the four-month period ending March 31, 2017.

	Accounts and Explanation	Debit	Credit
Dec. 1	(92)		
	(93)		
	(94)		
	(95)		
	(96)		

Journalize the related adjusting entries at December 31, 2016. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Nov. 1: Paid \$6,000 store rent covering the five-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(97)		
	(98)		
	(99)		
	(100)		
	(101)		

Nov. 1: Paid \$12,000 insurance covering the six-month period ending April 30, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(102)		
	(103)		
	(104)		
	(105)		
	(106)		

Dec. 1: Collected \$3,200 cash in advance from customers. The service revenue will be earned \$800 monthly over the four-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(107)		
	(108)		
	(109)		
	(110)		
	(111)		

Dec. 1: Collected \$5,200 cash in advance from customers. The service revenue will be earned \$1,300 monthly over the four-month period ending March 31, 2017. Record the related adjusting entry at December 31, 2016.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	(112)		
	(113)		
	(114)		
	(115)		
	(116)		

Post the entries to the T-accounts, and show their balances at December 31, 2016. (Ignore the Cash account.) (Use dates as posting references to post the transactions and adjustments. Use a "Bal." posting reference to show the ending balance of each account. When posting more than one entry on the same date to a single T-account, post to that account in the same order as you prepared the entries in Requirement 4.)

Review the journal entries you prepared in Requirement 4.

Review the adjusting entries you prepared in Requirement 4.

Prepaid Rent				Unearned Revenue				Service Revenue			
(117)			(118)	(119)			(120)	(121)			(122)
(123)			(124)	(125)			(126)	(127)			(128)
(129)			(130)	(131)			(132)	(133)			(134)
Prepaid Insurance				Rent Expense							
(135)			(136)	(137)			(138)				
(139)			(140)	(141)			(142)				
(143)			(144)	(145)			(146)				
								Insurance Expense			
								(147)			(148)
								(149)			(150)
								(151)			(152)

Requirement 5. Compare the account balances in Requirements 3 and 4. They should be equal.

Review the T-accounts from Requirement 3.

Review the T-accounts from Requirement 4.

The account balances in Requirements 3 and 4 are (153) _____

5: More Info

Nov. 1	Paid \$6,000 store rent covering the five-month period ending March 31, 2017.
Nov. 1	Paid \$12,000 insurance covering the six-month period ending April 30, 2017.
Dec. 1	Collected \$3,200 cash in advance from customers. The service revenue will be earned \$800 monthly over the four-month period ending March 31, 2017.
Dec. 1	Collected \$5,200 cash in advance from customers. The service revenue will be earned \$1,300 monthly over the four-month period ending March 31, 2017.

6: Requirements

1. Journalize the transactions assuming that Care Mail debits an asset account for prepaid expenses and credits a liability account for unearned revenues.
2. Journalize the related adjusting entries at December 31, 2016.
3. Post the journal and adjusting entries to the T-accounts, and show their balances at December 31, 2016. (Ignore the Cash account.)
4. Repeat Requirements 1-3. This time debit an expense account for prepaid expenses and credit a revenue account for unearned revenues.
5. Compare the account balances in Requirements 3 and 4. They should be equal.

1. A. Accrual accounting records revenue only when it is earned.

2. A. Service revenue of \$360

3. B. revenue to be recorded only after the business has earned it.

4. C. updating the accounts at the end of the period.

5. A. Recording the usage of office supplies during the period.

6.	A.	Salaries Expense		120		
		Salaries Payable				120

7. B. account balances after adjustments.

8. D. balance sheet: assets understated, equity understated
income statement: revenues understated

9. C. is an internal document that helps summarize data for the preparation of financial statements.

10.	B.	Service Revenue		2,000		
		Unearned Revenue				2,000

11. Date	Accounts and Explanation	Debit	Credit
(a) Dec. 31	Unearned Revenue Rent Revenue <i>To record rent revenue that was collected in advance.</i>	 4,500 	 4,500
Date	Accounts and Explanation	Debit	Credit
(b) Dec. 31	Salaries Expense Salaries Payable <i>To accrue salaries expense.</i>	 4,000 	 4,000
Date	Accounts and Explanation	Debit	Credit
(c) Dec. 31	Supplies Expense Office Supplies <i>To record office supplies used.</i>	 1,900 	 1,900
Date	Accounts and Explanation	Debit	Credit
(d) Dec. 31	Depreciation Expense—Equipment Accumulated Depreciation—Equipment <i>To record depreciation on equipment.</i>	 500 	 500
Date	Accounts and Explanation	Debit	Credit
(e) Dec. 31	Insurance Expense Prepaid Insurance <i>To record insurance expense.</i>	 750 	 750

Next Job Employment Service

Worksheet

April 30, 2016

Account Names	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	\$ 900				\$ 900	
Accounts Receivable	4,900		(a) \$ 700		5,600	
Office Supplies	1,200			(b) \$ 200	1,000	
Equipment	32,500				32,500	
Accumulated Depreciation—Equipment		\$ 13,700		(c) 1,600		\$ 15,300
Salaries Payable				(d) 600		600
Common Stock		24,800				24,800
Dividends	5,000				5,000	
Service Revenue		9,500		(a) 700		10,200
Salaries Expense	2,200		(d) 600		2,800	
Rent Expense	1,300				1,300	
Depreciation Expense—Equipment			(c) 1,600		1,600	
Supplies Expense			(b) 200		200	
Total	\$ 48,000	\$ 48,000	\$ 3,100	\$ 3,100	\$ 50,900	\$ 50,900

Date	Accounts and Explanation	Debit	Credit
(a) Apr. 30	Accounts Receivable	700	
	Service Revenue		700
	<i>To accrue service revenue.</i>		

Date	Accounts and Explanation	Debit	Credit
(b) Apr. 30	Supplies Expense	200	
	Office Supplies		200
	<i>To record office supplies used.</i>		

Date	Accounts and Explanation	Debit	Credit
(c) Apr. 30	Depreciation Expense—Equipment	1,600	
	Accumulated Depreciation—Equipment		1,600
	<i>To record depreciation on equipment.</i>		

Date	Accounts and Explanation	Debit	Credit
(d) Apr. 30	Salaries Expense	600	
	Salaries Payable		600
	<i>To accrue salaries expense.</i>		

13. Date	Accounts and Explanation	Debit	Credit
(a) Dec. 31	Unearned Revenue Service Revenue	1,500	1,500
	<i>To record service revenue that was collected in advance.</i>		
Date	Accounts and Explanation	Debit	Credit
(b) Dec. 31	Rent Expense Prepaid Rent	1,350	1,350
	<i>To record rent expense.</i>		
Date	Accounts and Explanation	Debit	Credit
(c) Dec. 31	Supplies Expense Office Supplies	400	400
	<i>To record office supplies used.</i>		
Date	Accounts and Explanation	Debit	Credit
(d) Dec. 31	Depreciation Expense—Equipment Accumulated Depreciation—Equipment	400	400
	<i>To record depreciation on equipment.</i>		
Date	Accounts and Explanation	Debit	Credit
(e) Dec. 31	Advertising Expense Accounts Payable	600	600
	<i>To accrue advertising expense.</i>		
Date	Accounts and Explanation	Debit	Credit
(f) Dec. 31	Salaries Expense Salaries Payable	900	900
	<i>To accrue salaries expense.</i>		

Date	Accounts and Explanation	Debit	Credit
(g) Dec. 31	Accounts Receivable	1,500	
	Service Revenue		1,500
	<i>To accrue service revenue.</i>		

Cash		Accounts Payable		Service Revenue	
Dec. 31	7,300		3,100 Dec. 31		15,600 Dec. 31
			600 (e)		1,500 (a)
					1,500 (g)
Bal.	7,300		3,700 Bal.		18,600 Bal.

Accounts Receivable		Salaries Payable		Salaries Expense	
Dec. 31	19,600		900 (f)	Dec. 31	3,200
(g)	1,500			(f)	900
Bal.	21,100		900 Bal.	Bal.	4,100

Prepaid Rent		Unearned Revenue		Rent Expense	
Dec. 31	2,700	1,350 (b)	(a) 1,500	2,900 Dec. 31	(b) 1,350
Bal.	1,350		1,400 Bal.	Bal.	1,350

Office Supplies		Common Stock		Depreciation Expense—Equipment	
Dec. 31	1,900	400 (c)	45,100 Dec. 31	(d) 400	
Bal.	1,500		45,100 Bal.	Bal.	400

Equipment		Dividends		Advertising Expense	
Dec. 31	24,000	Dec. 31	9,700	Dec. 31	1,900
				(e)	600
Bal.	24,000	Bal.	9,700	Bal.	2,500

Accumulated Depreciation—Equip		Supplies Expense	
	3,600 Dec. 31	(c)	400
	400 (d)		
	4,000 Bal.	Bal.	400

Andrew Air Purification System

Adjusted Trial Balance

December 31, 2016

Account Title	Balance	
	Debit	Credit
Cash	\$ 7,300	
Accounts Receivable	21,100	
Prepaid Rent	1,350	
Office Supplies	1,500	
Equipment	24,000	
Accumulated Depreciation—Equipment		\$ 4,000
Accounts Payable		3,700
Salaries Payable		900
Unearned Revenue		1,400
Common Stock		45,100
Dividends	9,700	
Service Revenue		18,600
Salaries Expense	4,100	
Rent Expense	1,350	
Depreciation Expense—Equipment	400	
Advertising Expense	2,500	
Supplies Expense	400	
Total	\$ 73,700	\$ 73,700

(131) prepare financial statements

Date	Accounts and Explanation	Debit	Credit
Nov. 1	Prepaid Rent	6,000	
	Cash		6,000
	<i>Paid rent in advance.</i>		
Date	Accounts and Explanation	Debit	Credit
Nov. 1	Prepaid Insurance	12,000	
	Cash		12,000
	<i>Paid insurance in advance.</i>		
Date	Accounts and Explanation	Debit	Credit
Dec. 1	Cash	3,200	
	Unearned Revenue		3,200
	<i>Cash collected for future services.</i>		
Date	Accounts and Explanation	Debit	Credit
Dec. 1	Cash	5,200	
	Unearned Revenue		5,200
	<i>Cash collected for future services.</i>		
Date	Accounts and Explanation	Debit	Credit
Dec. 31	Rent Expense	2,400	
	Prepaid Rent		2,400
	<i>To record rent expense.</i>		
Date	Accounts and Explanation	Debit	Credit
Dec. 31	Insurance Expense	4,000	
	Prepaid Insurance		4,000
	<i>To record insurance expense.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Unearned Revenue	800	
	Service Revenue		800
	<i>To record service revenue that was collected in advance.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Unearned Revenue	1,300	
	Service Revenue		1,300
	<i>To record service revenue that was collected in advance.</i>		

Prepaid Rent		Unearned Revenue		Service Revenue	
Nov. 1	6,000	2,400	Dec. 31	Dec. 31	800
			Dec. 31	Dec. 1	1,300
Bal.	3,600			Bal.	2,100

Prepaid Insurance		Rent Expense	
Nov. 1	12,000	4,000	Dec. 31
			Bal.
Bal.	8,000		

Insurance Expense	
Dec. 31	4,000
Bal.	4,000

Date	Accounts and Explanation	Debit	Credit
Nov. 1	Rent Expense	6,000	
	Cash		6,000
	<i>Paid rent in advance.</i>		

Date	Accounts and Explanation	Debit	Credit
Nov. 1	Insurance Expense	12,000	
	Cash		12,000
	<i>Paid insurance in advance.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 1	Cash	3,200	
	Service Revenue		3,200
	<i>Cash collected for future services.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 1	Cash	5,200	
	Service Revenue		5,200
	<i>Cash collected for future services.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Prepaid Rent	3,600	
	Rent Expense		3,600
	<i>To record prepaid rent.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Prepaid Insurance	8,000	
	Insurance Expense		8,000
	<i>To record prepaid insurance.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Service Revenue	2,400	
	Unearned Revenue		2,400
	<i>To record unearned revenue.</i>		

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Service Revenue	3,900	
	Unearned Revenue		3,900
	<i>To record unearned revenue.</i>		

Prepaid Rent		Unearned Revenue		Service Revenue			
Dec. 31	3,600		2,400	Dec. 31	2,400	3,200	Dec. 1
			3,900	Dec. 31	3,900	5,200	Dec. 1
Bal.	3,600		6,300	Bal.		2,100	Bal.

Prepaid Insurance		Rent Expense			
Dec. 31	8,000	Nov. 1	6,000	3,600	Dec. 31
Bal.	8,000	Bal.	2,400		

Insurance Expense			
Nov. 1	12,000	8,000	Dec. 31
Bal.	4,000		

(153) the same.