

**ACCOUNTING CYCLE PROBLEM
SOLE PROPRIETORSHIP**

Directions

Complete the entire accounting cycle for Pelican Company. The nine steps are listed below.

- **Steps 1-3** take place daily. These three steps should be repeated, in order, each time a transaction takes place during the period.
- **Steps 4-9** take place at the end of the period. These steps should be completed, in order, after the period is over.

Daily
Step 1: Analyze transactions
Step 2: Journalize
Step 3: Post
End of Period
Step 4: Unadjusted trial balance
Step 5: Adjusting entries
Step 6: Adjusted trial balance
Step 7: Financial statements
Step 8: Closing entries
Step 9: Post-closing trial balance

The working papers for this problem begin on the next page.

PELICAN COMPANY

On April 1, John Thompson created a new service company called Pelican Company. The company was organized as a sole proprietorship and has a monthly accounting period. The following transactions occurred during the company's first month.

April 1	Thompson invested \$33,000 cash and equipment worth \$25,000 in the company.
April 1	The company paid \$2,400 cash for the premium on a 12-month insurance policy. Coverage begins on April 1.
April 2	The company rented furnished office space by paying \$2,900 cash for the month's (April) rent.
April 3	The company purchased \$1,700 of supplies for cash.
April 14	The company paid \$800 cash for two-weeks' salaries earned by employees.
April 24	The company provided services to a customer and received \$9,000 cash.
April 28	The company paid another \$800 cash for two weeks' salaries earned by employees.
April 29	The company paid \$550 cash for minor repairs to the company's equipment.
April 30	The company paid \$1,550 cash for this month's telephone bill.
April 30	Thompson withdrew \$2,400 cash from the company for personal use.

The company's chart of accounts follows:

Cash	Service Revenue
Accounts Receivable	Depreciation Expense-Equipment
Supplies	Salaries Expense
Prepaid Insurance	Insurance Expense
Equipment	Rent Expense
Accumulated Depreciation-Equipment	Supplies Expense
Salaries Payable	Repairs Expense
Thompson, Capital	Telephone Expense
Thompson, Drawings	Income Summary

Adjustment Data

1. One month's insurance coverage has expired.
2. At the end of the month, \$700 of supplies are still available.
3. This month's depreciation on the equipment is \$400.
4. Employees earned \$470 of unpaid and unrecorded salaries as of month-end.
5. The company provided \$2,350 of services to a customer. As of April 30, company has not yet billed the customer for these services. Because these services are not yet billed, they are not yet recorded.

PELICAN COMPANY		
Unadjusted Trial Balance		
April 30		
	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid Insurance		
Equipment		
Accumulated Depreciation-Equipment		
Salaries Payable		
Thompson, Capital		
Thompson, Drawings		
Service Revenue		
Depreciation Expense-Equipment		
Salaries Expense		
Insurance Expense		
Rent Expense		
Supplies Expense		
Repairs Expense		
Telephone Expense		
Totals		

PELICAN COMPANY		
Adjusted Trial Balance		
April 30		
	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid Insurance		
Equipment		
Accumulated Depreciation-Equipment		
Salaries Payable		
Thompson, Capital		
Thompson, Drawings		
Service Revenue		
Depreciation Expense-Equipment		
Salaries Expense		
Insurance Expense		
Rent Expense		
Supplies Expense		
Repairs Expense		
Telephone Expense		
Totals		

PELICAN COMPANY

Balance Sheet

April 30

Assets

Total assets		

Liabilities

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Equity

Total liabilities and equity		

PELICAN COMPANY		
Post-Closing Trial Balance		
April 30		
	Debit	Credit
Totals		