#1 Prepare a **<u>Corrected</u>** **(NOT Adjusted) Trial Balance (NOT Balance Sheet)** for Collins Company, at March 31, 2015. **All accounts should have a <u>normal</u> <u>balance</u>.**

COLLINS COMPANY
Trial Balance
For the Quarter Ended 3/31/15

	Debit	Credit
Cash	$ 9,000	
Accounts Receivable		$ 23,000
Prepaid Insurance	2,500	
Equipment	60,000	
Accounts Payable		15,000
Unearned Service Revenue	10,000	
Notes Payable		20,000
Owner's Capital		38,000
Owner's Drawings (i.e. Dividends)		1,500
Service Revenue		43,000
Salaries and Wages Expense	15,000	
Utilities Expense	5,000	
Rent Expense	10,000	
	$111,500	$140,500

#2 Smith Insurance Agency prepares monthly financial statements. Presented below is an income statement for the month of June that is correct on the basis of information considered.

SMITH INSURANCE AGENCY
Income Statement
For the Month Ended June 30

Revenues		
Sales revenue		$35,000
Expenses		
Salaries and wages expense	$6,000	
Rent expense	4,200	
Depreciation expense	2,800	
Advertising expense	800	
Total expenses		13,800
Net income		$21,200

Additional Data: When the income statement was prepared, the company accountant neglected to take into consideration the following information:

1. A utility bill for $2,500 was received on the last day of the month for electric and gas service for the month of June.
2. A company insurance salesman sold a life insurance policy to a client for a premium of $30,000. The agency billed the client for the policy and is entitled to a commission of 20%.
3. Supplies on hand at the beginning of the month were $3,000. The agency purchased additional supplies during the month for $3,500 in cash and $2,200 of supplies were on hand at June 30.
4. The agency purchased a new car at the beginning of the month for $22,000 cash. The car will depreciate $5,400 per year.
5. Salaries owed to employees at the end of the month total $6,100. The salaries will be paid on July 5.

Instructions

Prepare a correct income statement.

#3 Journalize the following business transactions in general journal form. Identify each transaction by number. **You may omit explanations of the transactions.**

1. The owner, Amy Scott, invests $35,000 in cash in starting a real estate office operating as a sole proprietorship.
2. Purchased $400 of supplies on credit.
3. Purchased equipment for $8,000, paying $2,000 in cash and signed a 30-day, $6,000, note payable.
4. Real estate commissions billed to clients amount to $4,000.
5. Paid $700 in cash for the current month's rent.
6. Paid $200 cash on account for supplies purchased in transaction 2.
7. Received a bill for $600 for advertising for the current month.
8. Paid $2,200 cash for office salaries and wages.
9. Scott withdrew $1,200 from the business for living expenses.
10. Received a check for $3,000 from a client in payment on account for commissions billed in transaction 4.

#4 Prepare **an income statement, an owner's equity statement, and a balance sheet** for the dental practice of Crystal Thompson, DDS, from the items listed below **for the month of September 2015**.

Owner's Capital, September 1	$47,000
Accounts payable	7,000
Equipment	35,000
Service revenue	28,000
Owner's Drawings	6,000
Supplies expense	4,500
Cash	6,000
Utilities expense	700
Supplies	4,800
Salaries expense	9,000
Accounts receivable	14,000
Rent expense	2,000

Crystal Thompson, DDS
Income Statement
For the Month Ended September 30, 2015

Revenues		$
Expenses	$	$
Total expenses		$
Net income		$

Crystal Thompson, DDS
Statement of Owner's Equity
For the Month Ended September 30, 2015

Crystal Thompson, DDS, Capital, September 1	$
Add:	
	$
Less:	
	$

Crystal Thompsoin, DDS
Balance Sheet
September 30, 2015

Assets

	$
Total assets	
	$

Liabilities and Owner's Equity

Liabilities	
	$
Owner's Equity	$
Total liabilities and owner's equity	$

#5 The following ledger accounts are used by the Webb Dog Racetrack:

Accounts Receivable
Prepaid Advertising
Prepaid Rent

Unearned Sales Revenue

Advertising Expense
Rent Expense

Sales Revenue

Instructions

For each of the following transactions below, **prepare the journal entry (if one is required) to record the initial transaction and then prepare the adjusting entry, if any, required on September 30**, the end of the fiscal year.

(a) On September 1, paid rent on the track facility for three months, $210,000.

(b) On September 1, sold season tickets for admission to the racetrack. The racing season is year-round with 25 racing days each month. Season ticket sales totaled $960,000.

(c) On September 1, borrowed $350,000 from First National Bank by issuing a 9% note payable due in three months.

(d) On September 5, programs for 20 racing days in September, 25 racing days in October, and 15 racing days in November were printed for $3,000.

(e) The accountant for the concessions company reported that gross receipts for September were $150,000. Ten percent is due to the track and will be remitted by October 10.

#6 Salmond Company prepares monthly financial statements. Below are listed some selected accounts and their balances in the September 30 trial balance **before any adjustments have been made for the month of September**.

SALMOND COMPANY
Trial Balance (Selected Accounts)
September 30, 2015

	Debit	Credit
Office Supplies	$ 2,700	
Prepaid Insurance	4,200	
Office Equipment	16,200	
Accumulated Depreciation—Office Equipment		$1,000
Unearned Rent Revenue		1,200

(Note: Debit column does not equal credit column because this is a *partial listing* of selected account balances)

An analysis of the account balances by the company's accountant provided the following additional information:

1. A physical count of office supplies revealed $1,000 on hand on September 30.

2. A two-year life insurance policy was purchased on June 1 for $4,800.

3. Office equipment depreciated $6,000 per year.

4. The amount of rent received in advance that remains unearned at September 30 is $500.

Instructions

Using the above additional information, **prepare the adjusting entries** that should be made by Salmond Company on September 30.

#7 Presented below is a balance sheet for Mclaughlin Lawn Service at December 31, 2014.

MCLAUGHLIN LAWN SERVICE
Balance Sheet
At December 31, 2014

Assets		Liabilities and Owner's Equity	
Cash	$13,000	Liabilities	
Accounts receivable	6,000	Accounts payable	$ 8,000
Supplies	9,000	Notes payable	15,000
Equipment	11,000	Owner's equity	
		Shelia Mclaughlin, Capital	16,000
Total assets	$39,000	Total liabilities & owner's equity	$39,000

The following additional data are available for the year which began on January 1:

- All expenses (excluding supplies expense) total $6,000.
- Supplies on January 1,were $11,000 and $5,000 of supplies were purchased during the year.
- Net income for the year was $8,000 and drawings were $6,000.

Instructions (READ EACH CAREFULLY!)

Determine the following: (**SHOW ALL COMPUTATIONS**.)

1. Supplies used **during the year**.
2. Total expenses **for the year**.
3. Service revenues **for the year.**
4. Shelia Mclaughlin's capital balance on **January 1**.

#8 The trial balances of Johnson Company follow with the accounts arranged in alphabetic order. Analyze the data and prepare **(a) the adjusting entries** and **(b) the closing entries** made by Johnson Company.

	Trial Balances		
	Unadjusted	Adjusted	Post Closing
Accounts Payable	$10,000	$10,000	$10,000
Accounts Receivable	2,200	3,200	3,200
Accumulated Depreciation	13,000	17,000	17,000
Advertising Expense	0	16,300	0
Cash	60,000	60,000	60,000
Depreciation Expense	0	4,000	0
Equipment	75,000	75,000	75,000
Johnson, Capital	82,200	82,200	102,400
Johnson, Drawing	11,000	11,000	0
Prepaid Advertising	17,800	1,500	1,500
Prepaid Rent	15,000	11,000	11,000
Rent Expense	0	4,000	0
Service Revenue	96,000	105,000	0
Supplies	3,200	700	700
Supplies Expense	2,000	4,500	0
Unearned Revenue	23,000	15,000	15,000
Wages Expense	38,000	45,000	0
Wages Payable	0	7,000	7,000

#9 At the beginning of the year, Pear Corporation had total assets of $550,000 and total liabilities of $210,000. Answer the following questions **viewing each situation as being independent of the others.**

(1) If total assets increased $200,000 during the year, and total liabilities decreased $75,000, **what is the amount of owner's equity at the end of the year?**

(2) During the year, total liabilities increased $230,000 and owner's equity decreased $90,000. **What is the amount of total assets at the end of the year?**

(3) If total assets decreased $40,000 and owner's equity increased $130,000 during the year, **what is the amount of total liabilities at the end of the year?**

#10 As Marion Blackmon was doing her year-end accounting, she noticed that the bookkeeper had made errors in recording several transactions. The erroneous transactions are as follows:

(a) A check for $700 was issued for goods previously purchased on account. The bookkeeper debited Accounts Receivable and credited Cash for $700.

(b) A check for $380 was received as payment on account. The bookkeeper debited Accounts Payable for $830 and credited Accounts Receivable for $830.

(c) When making the entry to record the year's depreciation expense, the bookkeeper debited Accumulated Depreciation for $1,000 and credited Cash for $1,000.

(d) When accruing interest on a note payable, the bookkeeper debited Interest Receivable for $200 and credited Interest Payable for $200.

Instructions

Prepare the appropriate **correcting entries. (Do not reverse the original entries.)**