	Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet		
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
1												1
2												2
3												3
4												4
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44												44
45												45

Loving Laurie's Laundry

Accounting Cycle Project #2

BUS 2101 – Introduction to Financial Accounting

Mr. Steve Benner

Loving Laurie needs your help! She really dislikes accounting and doesn't know what to do. A couple of days ago, she heard a rumor that you were an accounting wiz. She hurried back to her Laundromat, picked up the phone, and called you in for an interview. Laurie was so impressed that she decided to hire you on the spot. She has told you to do the following:

- Colored Journal Entries from steps 2, 5, and 8 of the accounting cycle
- Colored Ledger Accounts (T-Accounts) from steps 3, 5, and 8 of the accounting cycle
- A Completed Worksheet in color for steps 4, 5, and 6 of the accounting cycle
- Colored Financial Statements. This should include a **statement of operations**, a **statement of retained earnings**, and a **classified statement of financial position**
- A post-closing trial balance in color

Additional things to consider:

- Only 1 T-Account needs to be created for each account. See Chart of Accounts.
- **Please Note: Laurie has been in business for a while, therefore, your Ledger accounts (T-Accounts) may already have balances in them.**
- When doing journal entries, remember that debits come before credits and that both must equal.
- Remember, each time you post to the ledger account, you should put the reference number in your general journal.
- Assume the **year is 2015** for your transactions and financial statements.
- Round all numbers to the nearest dollar, if needed.
- **Do not procrastinate**; it will only make things harder on you!!

Grading:

- This is an individual project, however, you are always encouraged to work with a friend. DO NOT simply copy your friends work, do your own work!!
- This accounting cycle is worth a total of **60 points**.
- On **Wednesday, October 21st** you will be required to turn in your project at the **start of class**. **Late Fees** = turned in late, but during class = 3 points; after class, but before 3:00pm = 6 points; after 3:00pm, but within 3 days = 15 points.
- On the date due, I will draw 3 cards at random during class. Each card will have a number. The number will represent a particular section of the accounting cycle. Each of the three sections selected will be worth 15 points each (45 points total). The remaining portion of your grade (15 points) will be determined by the overall neatness/professionalism & completion of your work.
- Failure to use color will cost you up to 15 points.
- The accounting cycle should be organized in the same order that the first accounting cycle was (pink handout). Failure to organize correctly will cost you up to 10 points.

Create a T-Account for all accounts listed below. Don't forget to put them in color!!!

Loving Laurie's Laundry Corporation
Chart of Accounts

Ledger #	Account	September 30th Balance	
	ASSETS		
101	Cash	$	28,048
102	Accounts Receivable	$	1,443
103	Supplies	$	999
104	Prepaid Insurance	$	2,052
105	Land	$	17,450
106	Building	$	98,040
107	Accum. Depr. - Building	$	2,835
108	Equipment	$	-
109	Accum. Depr. - Equipment	$	-
	LIABILITIES		
201	Accounts Payable	$	-
202	Notes Payable	$	-
203	Salaries Payable	$	-
204	Interest Payable	$	-
205	Income Tax Payable	$	-
	OWNER'S EQUITY		
301	Common Stock	$	99,445
302	Retained Earnings	$	45,752
303	Dividends	$	-
304	Income Summary	$	-
	REVENUES		
401	Laundromat Revenues	$	-
	EXPENSES		
501	Advertising Expense	$	-
502	Depr. Expense - Building	$	-
503	Depr. Expense - Equipment	$	-
504	Income Tax Expense	$	-
505	Insurance Expense	$	-
506	Interest Expense	$	-
507	Salaries Expense	$	-
508	Supplies Expense	$	-

Loving Laurie's Laundry Transactions

1. On October 1, Loving Laurie decided to replace her washers and dryers. At the end of last month, she sold off all of her equipment. Many of the machines were breaking down and she was getting tired of customer complaints. She purchased 42 washers and 42 dryers from Barney's Bargain Barn. Each washer cost $1,075 and each dryer cost $865. She made a down payment of $15,600 and put the remaining balance on account. All account balances must be fully paid within 3 months. The washers and dryers have an expected life 5 years, a zero salvage value, and will be fully depreciated using the straight-line method.

2. On October 2, Loving Laurie paid Awesome Ad's $833 for flyers to hang around town. The flyers contain information about Laurie's new machines and are expected to increase her revenues by a whopping 50.65% within a year. Laurie expenses this immediately.

3. On October 4, Loving Laurie shovel's in the revenues...literally!! She empties all of her quarters, dimes, and nickels from the washers and dryers into buckets. She loves counting coins and counted a total of 36,246 quarters, 13,044 dimes, 6,669 nickels, and 12,665 pennies!!

4. On October 6, Loving Laurie hires Joyful Jenny. She thought she would be great for business since she is full of joy!! Her duties will include assisting customers and cleaning the machines. It is expected that she will work 50 hours this month at a rate of $9.50 an hour.

5. On October 7, Loving Laurie received cash from some of her clients who had put their washing and drying fees on account last month. She received a total of $1,286 from her customers.

6. On October 10, Loving Laurie decided to pay dividends of $1,111 to stockholders.

7. On October 13, Loving Laurie empties her machines and counts her coins. She counted 28,149 quarters, 15,174 dimes, 17,745 nickels, and 101,010 pennies. Laurie also allows some of her customers to pay later if they like. She uses her magic key to start the machines for these particular customers. All customers must pay their balance owed within 30 days. Laurie needs to recognize additional revenues of $769 on account. (Note: All of this information can be recognized in a single transaction).

8. On October 16, Loving Laurie contacted Loan Shark Sally about obtaining a loan. Barney's Bargain Barn needed $35,500 of the balance due from Laurie. Therefore, Laurie got a loan from Sally in the amount of $35,500 to pay off some of her balance. The loan will be paid off in <u>5 equal installments</u> due April 16th and October 16th for each of the next 2.5 years. Sally will charge 28.80% interest on the loan. Interest will be paid with each installment. (Note: there are two transactions occurring here, first recognize the loan and then pay your liability).

9. On October 17, Loving Laurie decided she needed a vacation. She put signs up letting customers know that the Laundromat will be closed until October 22nd. She expects to lose 7,980 quarters, 1,635 dimes, 930 nickels, and 3,500 pennies worth of business during this time.

10. On October 22, Loving Laurie realized she made a mistake. When she last recognized revenues, she accidentally recorded 222 quarters, 33 dimes, 49 nickels, and 75 pennies that came out of her purse and not the machines. Laurie needs to correct this mistake ASAP!!

11. On October 24, Loving Laurie noticed she needed some extra supplies. She purchased $1,591 worth of supplies from Danny's Discount Depot paying cash.

12. On October 26, Loving Laurie counted her coins and tallied up her revenues from customers that owed her money. She needs to recognize 34,553 quarters, 15,958 dimes, 18,613 nickels, 102,030 pennies, and $481 from customers who put their washing and drying fees on account.

13. On October 28, Loving Laurie decided to buy the land next to her business since it was so cheap. She paid $12,006 for the land. She plans on using the land for additional parking space during peak washing times!

14. On October 29, Loving Laurie pays Joyful Jenny $495 cash for her excellent work. Congratulations to Jenny as she earned the prestigious "Loving Laurie's Laundry Employee of the Month Award."

15. On October 30, Loving Laurie empties her machines. She counted a total of $9,727 in coins!

Adjustments

On October 31, you notice the following:

a) You need to recognize depreciation for the month on a building you bought last year on July 1st. It has an expected life of 30 years, a $30,000 salvage value, and you use straight-line depreciation. See chart of accounts for cost information.
b) You need to recognize interest accumulated on the loan.
c) You have accrued salaries of $901.
d) You need to recognize depreciation on the equipment (washers and dryers).
e) You have only $1,427 worth of supplies on hand.
f) You have used up one months worth of insurance (On May 1, Laurie purchased an 9-month insurance policy for $4,617).
g) You need to recognize/accrue federal income taxes of 32%. Round to the nearest dollar if needed. *Hint: compute adjusted income based on all preceding information, and then determine and record income tax expense*

The Accounting Cycle

1) Analyze business transactions
2) Journalize the transactions
3) Post to ledger accounts
4) Prepare a trial balance
5) Journalize and post adjusting entries
6) Prepare an adjusted trial balance
7) Prepare the financial statements (I/S, Stmt of RE, B/S)
8) Journalize and post closing entries
9) Prepare a post-closing trial balance

Have Fun & Good Luck!!