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Effect of Omitting Adjusting Entry

At the end of July, the first month of the business year, the usual adjusting entry transferring rent earned to a revenue account from the unearned rent account was omitted. Indicate which items will be incorrectly stated, because of the error, on (a) the income statement for July and (b) the balance sheet as of July 31. Also indicate whether the items in error will be overstated or understated.

a. Income Statement

Rent Revenue

Net Income

b. Balance Sheet

Unearned Rent

Owner's Equity

6. Ex 3-11 Algo