

## Chapter Review and Assessment

<u>Number</u>	<u>Account Name</u>	<u>Balance</u>
6100	Insurance Expense	150.00
6300	Computer Supplies Expense	250.00
6325	Office Supplies Expense	50.00
6350	Online Service Expense	150.00
6400	Rent Expense	800.00
6450	Telephone Expense	350.00
6500	Utilities Expense	125.00
7000	Interest Expense	25.00

Enter the following accounts and amounts as credits:

<u>Number</u>	<u>Account Name</u>	<u>Balance</u>
1750	Accum. Dep., Computers	\$ 75.00
1850	Accum. Dep., Furniture	50.00
1950	Accum. Dep., Software	100.00
2020	Notes Payable	2,500.00
2030	Interest Payable	25.00
4010	Web Page Design Fees	9,750.00
4020	Internet Consulting Fees	6,600.00
4060	Sale of Computers	20,000.00
4065	Sale of Scanners	4,800.00
4070	Sale of HTML Software	150.00
4075	Sale of Desktop Pub. Software	1,000.00

- b. Make a journal entry to reverse the Uncategorized Income account.
  - c. Make a journal entry to reverse the Uncategorized Expenses account.
14. Display and print the following reports for August 1, 2013:
- a. *Journal*
  - b. *Trial Balance*
  - c. *Profit & Loss Standard* (06/01/2013–08/01/2013)
  - d. *Balance Sheet Standard*
  - e. *Item Listing*
  - f. *Customer Contact List*
  - g. *Vendor Contact List*
15. Make a backup copy of the new company file. Use the name **OWS6 [Your Name] Olivia's Web Solutions**. Restore the backup copy, and change the company name to **OWS6 [Your Name] Olivia's Web Solutions**.



5. If you set up a new company file using the Express Start method, which journal entries would you normally record to complete the New Company Setup process?
6. Your manager is just learning QuickBooks. He asked you if it is necessary to use the Advanced Setup method with the EasyStep Interview window or the QuickBooks Setup window for New Company Setup. Provide the manager with a written explanation of how he could set up the new company file using the Express Start method and not using the EasyStep Interview and QuickBooks Setup windows.

## Case Problems

### Case Problem 1

On April 1, 2013, Lynn Garcia began her business, called Lynn's Music Studio. In the first month of business, Lynn set up the music studio, provided guitar and piano lessons, and recorded month-end activity. In May, the second month of business, Lynn started purchasing and selling inventory items of guitars, keyboards, music stands, and sheet music. In April and May, Lynn was recording the financial activities using a manual accounting system. On June 1, 2013, Lynn decides to switch her accounting method to QuickBooks. Lynn has organized the information about the company but has hired you to convert the accounting records to QuickBooks.

1. Use the information below to create and set up the company file using the Express Start method (skip the QuickBooks Setup window after the new company file is created):

<i>Company Name:</i>	<b>CH7 [Your Name] Lynn's Music Studio</b>
<i>Industry:</i>	<b>Other/None</b>
<i>Company Type:</i>	<b>Sole Proprietorship</b>
<i>Tax ID #:</i>	<b>45-6123789</b>
<i>Legal Name:</i>	<b>CH7[Your Name] Lynn's Music Studio</b>
<i>Address:</i>	<b>228 Pearl Street</b>
<i>City:</i>	<b>Scranton</b>
<i>State:</i>	<b>PA</b>
<i>Zip:</i>	<b>18501</b>
<i>Country:</i>	<b>U.S.</b>
<i>Phone:</i>	<b>570-555-0400</b>
<i>Email:</i>	<b>LYNN@emcp.net</b>

2. Activate the account numbers, inventory, and sales tax features. For sales tax, use the following information:

<i>Type:</i>	<b>Sales Tax Item</b>
<i>Tax Name:</i>	<b>PA Sales Tax</b>
<i>Description:</i>	<b>Sales Tax</b>
<i>Tax Rate (%):</i>	<b>7</b>
<i>Tax Agency:</i>	<b>PA Dept. of Revenue</b>

3. Disable the payroll.

## Chapter Review and Assessment

4. Open and close the following windows to allow QuickBooks to create default accounts.

Create Invoices  
 Enter Sales Receipts  
 Enter Bills  
 Item List: New Item: Inventory Part

5. Customize the system default accounts:

QuickBooks		Edited	
Number	Account Name	Number	Account Name
11000	Accounts Receivable	1200	
12000	Undeposited Funds	1250	
12100	Inventory Asset	1260	Inventory of Guitars
20000	Accounts Payable	2010	
25500	Sales Tax Payable	2200	
30000	Opening Balance Equity	3010	Lynn Garcia, Capital
30800	Owners Draw	3020	Lynn Garcia, Drawings
32000	Owners Equity	3030	Accumulated Earnings
50000	Cost of Goods Sold	5060	Cost of Guitars Sold

6. Mark the Payroll Liabilities and Payroll Expenses accounts as inactive.  
 7. Customize the payment Terms List to list only the following:

2/10, Net 30 Days  
 Net 10 Days  
 Net 15 Days  
 Net 30 Days

8. Use the information in table LMS—Accounts to update the Chart of Accounts List.

**TABLE LMS—Accounts**

Account Type	Number	Account Name
Bank	1010	Cash - Operating
Other Current Asset	1265	Inventory of Keyboards
Other Current Asset	1270	Inventory of Music Stands
Other Current Asset	1275	Inventory of Sheet Music
Other Current Asset	1300	Music Supplies
Other Current Asset	1305	Office Supplies
Other Current Asset	1410	Prepaid Advertising
Other Current Asset	1420	Prepaid Insurance
Fixed Asset	1700	Music Instruments
Fixed Asset	1725	Music Instruments, Cost [Subaccount of 1700]
Fixed Asset	1750	Accum. Dep., Music Instruments [Subaccount of 1700]
Fixed Asset	1800	Furniture

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Account Type	Number	Account Name
Fixed Asset	1825	Furniture, Cost [Subaccount of 1800]
Fixed Asset	1850	Accum. Dep., Furniture [Subaccount of 1800]
Fixed Asset	1900	Computers
Fixed Asset	1925	Computers, Cost [Subaccount of 1900]
Fixed Asset	1950	Accum. Dep., Computers [Subaccount of 1900]
Other Current Liability	2020	Notes Payable
Other Current Liability	2030	Interest Payable
Income	4010	Piano Lessons
Income	4020	Guitar Lessons
Income	4060	Sale of Guitars
Income	4065	Sale of Keyboards
Income	4070	Sale of Music Stands
Income	4075	Sale of Sheet Music
Income	4100	Sales Discounts
Cost of Goods Sold	5065	Cost of Keyboards Sold
Cost of Goods Sold	5070	Cost of Music Stands Sold
Cost of Goods Sold	5075	Cost of Sheet Music Sold
Cost of Goods Sold	5900	Inventory Adjustment
Expense	6075	Deprec. Exp., Music Instruments
Expense	6085	Deprec. Exp., Furniture
Expense	6095	Deprec. Exp., Computers
Expense	6150	Instrument Tuning Expense
Expense	6200	Insurance Expense
Expense	6300	Music Supplies Expense
Expense	6325	Office Supplies Expense
Expense	6400	Rent Expense
Expense	6450	Telephone Expense
Expense	6500	Utilities Expense
Other Expense	7000	Interest Expense

9. Use the information in table LMS—Items to update the Item List. For the Inventory Part Items, be sure to use the date June 1, 2013.

TABLE LMS—Items

Item Name and Description on Purchase and Sales Transactions	Cost	COGS Acct	Sales Price	Income Acct	Asset Acct	Reorder Point	On Hand	Total Value
<i>Service Items (nontaxable):</i>								
Guitar Lessons			\$ 30	4020				
Piano Lessons			35	4010				
<i>Inventory Part Items (taxable):</i>								
Guitars	\$50	5060	100	4060	1260	10	6	\$ 300
Keyboards	75	5065	150	4065	1265	10	17	1,275
Music Stands	20	5070	40	4070	1270	10	17	340
Sheet Music	3	5075	6	4075	1275	50	165	495

## Chapter Review and Assessment

10. Use the information in table LMS—Customers to update the Customer Center.

**TABLE LMS—Customers**

Customer/Company Name	Name/Contact	Address	Phone/Fax	Terms	Balance
Douglaston Senior Center	Herbie Richardson	574 S Beech Street Scranton, PA 18506	570-555-7748 570-555-8800	Net 30 Days	175.00
Highland School	Asst. Principal Office	115 Forrest Street Waymart, PA 18472	570-555-6963 570-555-6970	2/10, Net 30 Days	
Jefferson High School	Music Department	500 Apple Street Dunmore, PA 18512	570-555-9600 570-555-9700	2/10, Net 30 Days	
Mulligan Residence	Adam Smith	299 Hickory Lane Scranton, PA 18504	570-555-3325 570-555-3500	2/10, Net 30 Days	1575.90
Musical Youth Group	Dana Thompson	550 Marion Lane Scranton, PA 18504	570-555-6642 570-555-6700	Net 30 Days	
Patel Family	Ari Patel	574 Kenwood Drive Dickson City, PA 18519	570-555-1132	Net 30 Days	
Patterson Family	Jonathan Patterson	650 Memory Lane Dickson City, PA 18519	570-555-6321	Net 30 Days	
Schroeder Family	Betty Schroeder	98 Belmont Rd. Carbondale, PA 18407	570-555-1897	Net 30 Days	
Twin Lakes Elementary	Miss Brooks	515 Hobson Street Honesdale, PA 18431	570-555-4474 570-555-4485	2/10, Net 30 Days	

11. Use the information in table LMS—Vendors to update the Vendor Center.

**TABLE LMS—Vendors**

Vendor/Company Name	Name/Contact	Address	Phone/Fax	Terms	Balance
Computer Town	Customer Service	1000 Carbondale Highway Scranton, PA 18502	570-555-1500 570-555-1550	Net 30 Days	2,000.00
Katie's Keyboards	Katie Shea	158 Clay Road Scranton, PA 18505	570-555-7777 570-555-8888	Net 30 Days	1,500.00
Lynn Garcia					
Melody Music Equipment	Melody Arhmand	780 Roselyn Ave. Scranton, PA 18505	570-555-1120 570-555-1125	Net 30 Days	
Mills Family Furniture	Edna Mills	150 Amelia Street Scranton, PA 18503	570-555-7144 570-555-7200	Net 30 Days	1,500.00
Music Instruments, Inc.	Matilda Molloy	25 Monroe Ave. Scranton, PA 18505	570-555-9630 570-555-9635	Net 30 Days	
Mutual Insurance Company	Bob Maxwell	1 Main Street Honesdale, PA 18431	570-555-5600 570-555-5900	Net 30 Days	1,200.00
Paper, Clips, and More	Justin Daves	157 Waymart Lane Waymart, PA 18472	570-555-8558 570-555-5555	Net 30 Days	350.00
Pioneer Phone	Customer Service	1000 Route 6 Carbondale, PA 18407	570-555-6000 570-555-6500	Net 15 Days	
Steamtown Electric	Customer Service	150 Vine Lane Scranton, PA 18501	570-555-2500 570-555-3000	Net 15 Days	
Strings, Sheets & Such	Manuela Perez	250 Lincoln St. Scranton, PA 18505	570-555-3636 570-555-3700	Net 30 Days	

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Tune Tones	Tony Tune	500 Monroe Ave. Dunmore, PA 18512	570-555-1111 570-555-2222	Net 30 Days	
Viewhill Realty	Matt Snyder	100 Commerce Blvd. Scranton, PA 18501	570-555-1000 570-555-1200	Net 15 Days	

12. Make three journal entries on June 1, 2013 (accept the default Entry Nos.):  
 a. Enter the opening balances listed below. Enter the following accounts and amounts as debits:

<u>Number</u>	<u>Account Name</u>	<u>Balance</u>
1010	Cash - Operating	\$14,615.18
1300	Music Supplies	430.00
1305	Office Supplies	300.00
1420	Prepaid Insurance	1,100.00
1725	Music Instruments	4,000.00
1825	Furniture	2,500.00
1925	Computers	3,000.00
3020	Lynn Garcia, Drawings	1,000.00
4100	Sales Discounts	188.92
5060	Cost of Guitars Sold	1,150.00
5065	Cost of Keyboards Sold	2,475.00
5070	Cost of Music Stands Sold	460.00
5075	Cost of Sheet Music Sold	1,305.00
5900	Inventory Adjustment	50.00
6075	Deprec. Exp., Music Instruments	60.00
6085	Deprec. Exp., Furniture	40.00
6095	Deprec. Exp., Computers	35.00
6150	Instrument Tuning	100.00
6200	Insurance Expense	100.00
6300	Music Supplies Expense	70.00
6325	Office Supplies Expense	50.00
6400	Rent Expense	600.00
6450	Telephone Expense	50.00
6500	Utilities Expense	70.00
7000	Interest Expense	15.00

Enter the following accounts and amounts as credits:

<u>Number</u>	<u>Account Name</u>	<u>Balance</u>
1750	Accum. Dep., Music Instruments	\$ 60.00
1850	Accum. Dep., Furniture	40.00
1950	Accum. Dep., Computers	35.00
2020	Notes Payable	2,000.00
2030	Interest Payable	15.00
4010	Piano Lessons	3,535.00
4020	Guitar Lessons	2,910.00
4060	Sale of Guitars	2,300.00
4065	Sale of Keyboards	4,950.00
4070	Sale of Music Stands	920.00
4075	Sale of Sheet Music	2,610.00