

Exercise 2, p. 277

A.

	Balance Sheet Adjustments		Income Statement Adjustments	
1.	Supplies		Supplies Expense	
	Dr	Cr	Dr	Cr
Dec. 31, 20-3	5 050		3 600	
	<u>1 450</u>	3 600		
2.	Prepaid Insurance		Insurance Expense	
	Dr	Cr	Dr	Cr
Dec. 31, 20-3	2 100		1 050	
	<u>1 050</u>	1 050		
3.	Accounts Payable		Advertising Expense	
	Dr	Cr	Dr	Cr
		10 000	10 000	
4.	Unearned Revenue		Fees Earned	
	Dr	Cr	Dr	Cr
		14 000	14 000	20 000
				<u>6 000</u>

SECTION 8.1 EXERCISES (continued)

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B.

		GENERAL JOURNAL					PAGE							
DATE		PARTICULARS	PR.	DEBIT					CREDIT					
²⁰⁻³ Dec.	31	<i>Supplies Expense</i>		3	6	0	0	-						
		<i>Supplies</i>							3	6	0	0	-	
		<i>To adjust for the inventory count of \$1450</i>												
	31	<i>Insurance Expense</i>		1	0	5	0	-						
		<i>Prepaid Insurance</i>							1	0	5	0	-	
		<i>To adjust for six months of expired insurance</i>												
	31	<i>Advertising Expense</i>		10	0	0	0	-						
		<i>Accounts Payable</i>							10	0	0	0	-	
		<i>To record a 20-3 invoice that arrived in 20-4</i>												
	31	<i>Fees Earned</i>		14	0	0	0	-						
		<i>Unearned Revenue</i>							14	0	0	0	-	
		<i>To adjust for the cash advances received</i>												

C.

Adjustment Omission	Assets	Liabilities	Net Income
1. Supplies	<i>overstated</i>	<i>correctly stated</i>	<i>overstated</i>
2. Insurance	<i>overstated</i>	<i>correctly stated</i>	<i>overstated</i>
3. Late Invoices	<i>correctly stated</i>	<i>understated</i>	<i>overstated</i>
4. Unearned Revenue	<i>correctly stated</i>	<i>understated</i>	<i>overstated</i>

Exercise 6, p. 278

A.

Prepaid Licenses		Bank	
Dr	Cr	Dr	Cr
<i>Jan. 1, 20-1</i>	720	<i>Jan. 1, 20-1</i>	720

B. $\$720 \times 3 \div 12 = \180 The prepaid license was \$180 as of September 30, 20-1.C. $\$720 \times 9 \div 12 = \540 The truck license expense was \$540 as of September 30, 20-1.

D.

Prepaid Licenses		Truck License Expense	
Dr	Cr	Dr	Cr
<i>Sep. 30, 20-1</i>	720	<i>Sep. 30, 20-1</i>	540
<i>Sep. 30, 20-1</i>	180	<i>Sep. 30, 20-1</i>	540

E.

Prepaid Licenses		Bank	
Dr	Cr	Dr	Cr
<i>Jan. 1, 20-2</i>	720	<i>Jan. 1, 20-2</i>	720
<i>Jan. 1, 20-2</i>	900		

F. $\$900 \times 3 \div 15 = \180 The prepaid license was \$180 as of September 30, 20-2.

G.

Prepaid Licenses		Truck License Expense	
Dr	Cr	Dr	Cr
<i>Sep. 30, 20-2</i>	900	<i>Sep. 30, 20-2</i>	720
<i>Sep. 30, 20-2</i>	180	<i>Sep. 30, 20-2</i>	720