

Question #2

2. The year-end, unadjusted trial balance dated December 31, 20–3, for Kareem Industries showed Supplies at \$5050 and Prepaid Insurance at \$2100. The accounting clerk prepared the trial balance. Subsequently, the senior accountant was given the following additional information:

1. An inventory count of supplies revealed \$1450 to be on hand.
2. The Prepaid Insurance account consisted of one 12-month policy purchased on July 1, 20–3.
3. An invoice for advertising done in December arrived in January, 20–4. The amount of the invoice was \$10 000.
4. A \$20 000 cash advance for services of Kareem Industries was deposited on December 15, 20–3. The accounting clerk credited the entire amount to Fees Earned. By December 31st, Kareem Industries had performed 30% of the work.

- A. Use the T-accounts in your Workbook to calculate and show the adjustments required.
- B. Prepare the adjusting journal entries dated December 31, 20–3.
- C. Suppose the senior accountant failed to do the adjusting entry for each situation described in 1 to 4 above. For each situation, identify whether the omission of the adjusting entry would cause Assets, Liabilities, and Net Income to be correctly stated, overstated, or understated. Use the chart below, which also appears in your Workbook.

Adjustment Omission	Assets	Liabilities	Net Income
1. Supplies			
2. Insurance			
3. Late Invoices			
4. Unearned Revenue			

Question #6

6. The Kaleido Glass Shop began business on October 1, 20–0. Its first fiscal year ended on September 30, 20–1. On January 1, 20–1, \$720 was paid for a truck licence for the 20–1 calendar year. Use the T-accounts in your Workbook to record the entries below.

- A. Give the accounting entry to record the above transaction.**
- B. Calculate the value for the prepaid licence on September 30, 20–1.**
- C. Calculate the truck licence expense for the fiscal period ended September 30, 20–1.**
- D. Give the adjusting entry necessary at September 30, 20–1.**

On January 1, 20–2, \$720 was paid for the truck licence for the 20–2 calendar year.

- E. Give the balance in the Prepaid Licences account after recording the above payment.**
- F. Calculate the value for the prepaid licence on September 30, 20–2.**
- G. Calculate the truck licence expense for the fiscal period ended September 30, 20–2.**