

# 12

## Work Sheet and Adjusting Entries

### DEMONSTRATION PROBLEM

Office Specialists sells and services copiers and fax machines. The trial balance as of December 31, the end of its fiscal year, is as follows:

<i>Office Specialists</i>			
<i>Trial Balance</i>			
<i>December 31, 20—</i>			
ACCOUNT NAME	DEBIT	CREDIT	
<i>Cash</i>	<i>4,000.00</i>		
<i>Merchandise Inventory</i>	<i>151,000.00</i>		
<i>Supplies</i>	<i>2,000.00</i>		
<i>Prepaid Insurance</i>	<i>1,000.00</i>		
<i>Store Equipment</i>	<i>26,000.00</i>		
<i>Accumulated Depreciation, Store Equipment</i>		<i>12,500.00</i>	
<i>Accounts Payable</i>		<i>50,000.00</i>	
<i>Employees' Income Tax Payable</i>		<i>3,000.00</i>	
<i>Payroll Taxes and Employees' Withholding Payable</i>		<i>1,500.00</i>	
<i>Unearned Service Contracts</i>		<i>15,000.00</i>	
<i>L. Griswald, Capital</i>		<i>44,100.00</i>	
<i>L. Griswald, Drawing</i>	<i>60,000.00</i>		
<i>Sales</i>		<i>453,000.00</i>	
<i>Service Contract Income</i>		<i>56,000.00</i>	
<i>Purchases</i>	<i>280,000.00</i>		
<i>Purchases Discounts</i>		<i>3,800.00</i>	
<i>Freight In</i>	<i>3,900.00</i>		
<i>Salary Expense</i>	<i>80,000.00</i>		
<i>Payroll Tax Expense</i>	<i>8,000.00</i>		
<i>Rent Expense</i>	<i>20,000.00</i>		
<i>Miscellaneous Expense</i>	<i>3,000.00</i>		
	<i>638,900.00</i>	<i>638,900.00</i>	

The earnings from short-term contracts completed during the year have been recorded in Service Contract Income. Amounts received in advance for longer-term service contracts have been recorded in Unearned Service Contracts. To save space by reducing the number of accounts, we use the account called Payroll Taxes and Employees' Withholding Payable for the FICA and unemployment tax liabilities. Data for the adjustments are as follows:

- a-b. Merchandise inventory at December 31, \$139,500.
- c. Supplies inventory, \$1,700.
- d. Insurance expired, \$600.

- e. Salaries accrued, \$2,000.
- f. Depreciation of store equipment, \$5,200.
- g. Unearned service contract income now earned, \$4,800.

### ***Instructions***

Complete the work sheet.

## SOLUTION

Office Specialists			
Work Sheet			
For Year Ended December 31, 20—			
	ACCOUNT NAME	TRIAL BALANCE	
		DEBIT	CREDIT
1	Cash	4,000.00	
2	Merchandise Inventory	151,000.00	
3	Supplies	2,000.00	
4	Prepaid Insurance	1,000.00	
5	Store Equipment	26,000.00	
6	Accumulated Depreciation, Store Equipment		12,500.00
7	Accounts Payable		50,000.00
8	Employees' Income Tax Payable		3,000.00
9	Payroll Taxes and Employees' Withholding Payable		1,500.00
10	Unearned Service Contracts		15,000.00
11	L. Griswald, Capital		44,100.00
12	L. Griswald, Drawing	60,000.00	
13	Sales		453,000.00
14	Service Contract Income		56,000.00
15	Purchases	280,000.00	
16	Purchases Discounts		3,800.00
17	Freight In	3,900.00	
18	Salary Expense	80,000.00	
19	Payroll Tax Expense	8,000.00	
20	Rent Expense	20,000.00	
21	Miscellaneous Expense	3,000.00	
22		638,900.00	638,900.00
23	Income Summary		
24	Supplies Expense		
25	Insurance Expense		
26	Salaries Payable		
27	Depreciation Expense, Store Equipment		
28			
29	Net Income		
30			
31			
32			
33			
34			
35			

# **SOLUTION** (continued)

ADJUSTMENTS				INCOME STATEMENT		BALANCE SHEET		
DEBIT		CREDIT		DEBIT	CREDIT	DEBIT	CREDIT	
						4,000.00		1
(b)	139,500.00	(a)	151,000.00			139,500.00		2
		(c)	300.00			1,700.00		3
		(d)	600.00			400.00		4
						26,000.00		5
		(f)	5,200.00				17,700.00	6
							50,000.00	7
							3,000.00	8
							1,500.00	9
(g)	4,800.00						10,200.00	10
							44,100.00	11
						60,000.00		12
					453,000.00			13
		(g)	4,800.00		60,800.00			14
				280,000.00				15
					3,800.00			16
				3,900.00				17
(e)	2,000.00			82,000.00				18
				8,000.00				19
				20,000.00				20
				3,000.00				21
								22
(a)	151,000.00	(b)	139,500.00	151,000.00	139,500.00			23
(c)	300.00			300.00				24
(d)	600.00			600.00				25
		(e)	2,000.00				2,000.00	26
(f)	5,200.00			5,200.00				27
	303,400.00		303,400.00	554,000.00	657,100.00	231,600.00	128,500.00	28
				103,100.00			103,100.00	29
				657,100.00	657,100.00	231,600.00	231,600.00	30
								31
								32
								33
								34
								35