

Glencoe

First-Year Course

Accounting

Real-World Applications & Connections

Mc
Graw
Hill



MEET OUR PARTNERS

Sage Peachtree
QuickBooks[®]



Robert Half International
A Global Leader in Professional Services Since 1948

DISCOVER

Mc
Graw
Hill **connect**[™]
Online Accounting
Solutions

EXPLORE

• Entrepreneurships
• Partnerships
• Corporations
amazon.com[™]
Annual Report

CHAPTER

8

THE SIX-COLUMN
WORK SHEET

SECTION 8.1

PREPARING THE
WORK SHEET

SECTION 8.2

COMPLETING THE
WORK SHEET



Main Idea

The work sheet organizes general ledger account information for the financial statements. After completing the work sheet, you will know the net income or net loss for the accounting period.



Chapter Objectives

- Explain the purpose of the six-column work sheet.
- Describe the parts of a six-column work sheet.
- Prepare a six-column work sheet.
- Calculate net income and net loss.

Section 8.1

Preparing the
Work Sheet

Key Terms

- work sheet
- ruling

The Sixth Step of the Accounting Cycle: The Work Sheet

Section 8.1

Preparing the
Work Sheet

An accountant uses a work sheet to:

Gather information to prepare financial statements.

Complete other end-of-period activities.



work sheet

A working paper used to collect information from the ledger accounts for use in completing end-of-period activities.

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

1. Heading

										Zip Delivery Service		← Who?
										Work Sheet		← What?
										For the Month Ended October 31, 20--		← When?
	ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET					
			DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT				
1										1		
2										2		
3										3		

2. Account Name

**3. Trial
Balance**

**4. Income
Statement**

**5. Balance
Sheet**

See page 200

The Work Sheet Sections

Section 8.1

Preparing the Work Sheet

The Heading

Zip Delivery Service										
Work Sheet										
For the Month Ended October 31, 20--										
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET				
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT			
1										1
2										2
3										3

Diagram annotations: A bracket labeled '1' groups the three heading lines. Brackets labeled '2', '3', '4', and '5' group the columns of the table below. Red arrows point from the heading text to the 'Who?', 'What?', and 'When?' labels.

Who – The name of the business

What – The name of the accounting form

When – The period covered by the work sheet

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Account Name

Zip Delivery Service										
Work Sheet										
For the Month Ended October 31, 20--										
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET				
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT			
										1
										2
										3

1 { ← *Who?*
 ← *What?*
 ← *When?*

2 { }
3 { }
4 { }
5 { }

This section contains a listing of all accounts from the general ledger. Include accounts with a zero balance to avoid accidentally omitting an account.

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Account Name

Zip Delivery Service										
Work Sheet										
For the Month Ended October 31, 20--										
	ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET			
			DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT		
1	101	Cash in Bank	2112500							1
2	105	Accts. Rec.—City News	145000							2
3	110	Accts. Rec.—Green Company	—							3
4	115	Computer Equipment	300000							4
5	120	Office Equipment	20000							5
6	125	Delivery Equipment	1200000							6
7	201	Accts. Pay.—Rockport Advertising		7500						7
8	205	Accts. Pay.—Coast to Coast Auto		1165000						8
9	301	Crista Vargas, Capital		2540000						9
10	302	Crista Vargas, Withdrawals	50000							10
11	303	Income Summary	—	—						11
12	401	Delivery Revenue		265000						12
13	501	Advertising Expense	7500							13
14	505	Maintenance Expense	60000							14
15	510	Rent Expense	70000							15
16	515	Utilities Expense	12500							16
17			3977500	3977500						17
18										18

See page 201

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Trial Balance

Zip Delivery Service										
Work Sheet										
For the Month Ended October 31, 20--										
← <i>Who?</i>										
← <i>What?</i>										
← <i>When?</i>										
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET				
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT			
1										1
2										2
3										3

Diagram annotations: A bracket labeled '1' groups the title and date lines. A bracket labeled '2' groups the ACCT. NO. and ACCOUNT NAME columns. A bracket labeled '3' groups the TRIAL BALANCE columns. A bracket labeled '4' groups the INCOME STATEMENT columns. A bracket labeled '5' groups the BALANCE SHEET columns. A red triangle points to the TRIAL BALANCE section.

There are two steps to follow after this section is complete:

- ⑩ Ruling the Trial Balance section
- ⑩ Totaling the Trial Balance section

See page 200

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Trial Balance

Zip Delivery Service										
Work Sheet										
For the Month Ended October 31, 20--										
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET				
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT			
1	101	Cash in Bank	2112500							1
2	105	Accts. Rec.—City News	145000							2
3	110	Accts. Rec.—Green Company	—							3
4	115	Computer Equipment	300000							4
5	120	Office Equipment	20000							5
6	125	Delivery Equipment	1200000							6
7	201	Accts. Pay.—Beacon Advertising		7500						7
8	205	Accts. Pay.—North Shore Auto		1165000						8
9	301	Crista Vargas, Capital		2540000						9
10	302	Crista Vargas, Withdrawals	50000							10
11	303	Income Summary	—	—						11
12	401	Delivery Revenue		265000						12
13	501	Advertising Expense	7500							13
14	505	Maintenance Expense	60000							14
15	510	Rent Expense	70000							15
16	515	Utilities Expense	12500							16
17										17

See page 202

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Ruling the Trial Balance Sections

Zip Delivery Service								
Work Sheet								
For the Month Ended October 31, 20--								
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET		
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1	101 Cash in Bank	2112500						1
2	105 Accts. Rec.—City News	145000						2
3	110 Accts. Rec.—Green Company							3
4	115 Computer Equipment	300000						4
5	120 Office Equipment	20000						5
6	125 Delivery Equipment	1200000						6
7	201 Accts. Pay.—Beacon Advertising		7500					7
8	205 Accts. Pay.—North Shore Auto		1165000					8
9	301 Crista Vargas, Capital		2540000					9
10	302 Crista Vargas, Withdrawals	50000						10
11	303 Income Summary							11
12	401 Delivery Revenue		265000					12
13	501 Advertising Expense	7500						13
14	505 Maintenance Expense	60000						14
15	510 Rent Expense	70000						15
16	515 Utilities Expense	12500						16
17		3977500	3977500					17
18								18



ruling

Drawing a line; a single *rule* (line) drawn under a column of figures indicates that the entries above the rule are to be added or subtracted. If an amount is a total and no further processing is needed, a double rule is drawn under it.

The Work Sheet Sections

Section 8.1

Preparing the
Work Sheet

Totaling the Trial Balance Section

Zip Delivery Service									
Work Sheet									
For the Month Ended October 31, 20--									
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET			
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT		
1	101 Cash in Bank	2112500							1
2	105 Accts. Rec.—City News	145000							2
3	110 Accts. Rec.—Green Company	—							3
4	115 Computer Equipment	300000							4
5	120 Office Equipment	20000							5
6	125 Delivery Equipment	1200000							6
7	201 Accts. Pay.—Beacon Advertising		7500						7
8	205 Accts. Pay.—North Shore Auto		1165000						8
9	301 Crista Vargas, Capital		2540000						9
10	302 Crista Vargas, Withdrawals	50000							10
11	303 Income Summary	—							11
12	401 Delivery Revenue		265000						12
13	501 Advertising Expense	7500							13
14	505 Maintenance Expense	60000							14
15	510 Rent Expense	70000							15
16	515 Utilities Expense	12500							16
17		<u>3977500</u>	<u>3977500</u>						17
18									18

A double line is drawn under the totals to identify the above numbers as totals.

See page 202

Section 8.2

Completing the
Work Sheet

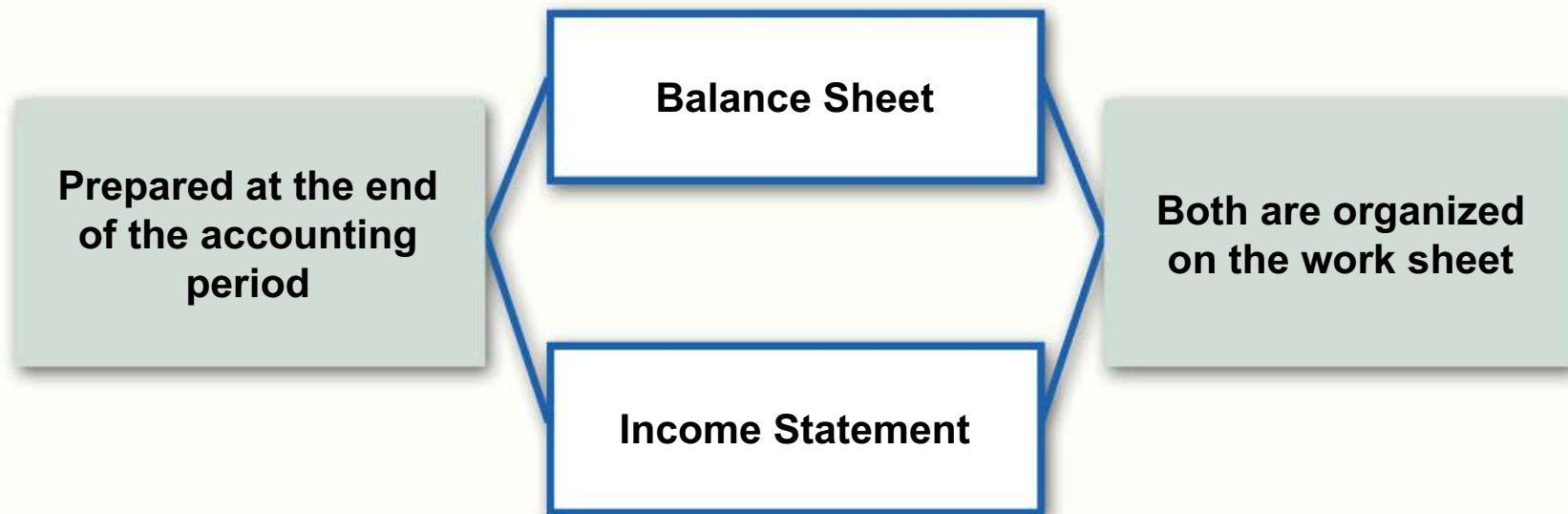
Key Terms

- matching principle
- net income
- net loss

The Balance Sheet and Income Statement Sections

Section 8.2

Completing the
Work Sheet



The Balance Sheet and Income Statement Sections

Section 8.2

Completing the
Work Sheet

Balance Sheet Section

Amounts are transferred, or extended, from the Trial Balance section for these account types.

Asset

Liability

**Owner's
Equity**

The Balance Sheet and Income Statement Sections

Section 8.2

Completing the
Work Sheet

Income Statement Section

Amounts are extended from the Trial Balance section for these account types.

Revenue

Expense

The Balance Sheet and Income Statement Sections

Section 8.2

Completing the Work Sheet

Zip Delivery Service								
Work Sheet								
For the Month Ended October 31, 20--								
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET		
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1	101 Cash in Bank	2112500				2112500		1
2	105 Accts. Rec.—City News	145000				145000		2
3	110 Accts. Rec.—Green Company							3
4	115 Computer Equipment	300000				300000		4
5	120 Office Equipment	20000				20000		5
6	125 Delivery Equipment	1200000				1200000		6
7	201 Accts. Pay.—Beacon Advertising		7500				7500	7
8	205 Accts. Pay.—North Shore Auto		1165000				1165000	8
9	301 Maria Sanchez, Capital		2540000				2540000	9
10	302 Crista Vargas, Withdrawals	50000				50000		10
11	303 Income Summary							11
12	401 Delivery Revenue		265000		265000			12
13	501 Advertising Expense	7500		7500				13
14	505 Maintenance Expense	60000		60000				14
15	510 Rent Expense	70000		70000				15
16	515 Utilities Expense	12500		12500				16
17		<u>3977500</u>	<u>3977500</u>	<u>150000</u>	<u>265000</u>	<u>3827500</u>	<u>3712500</u>	17
18								18

A single line is drawn below the entries in the Income Statement and Balance Sheet sections to indicate they are ready for totaling.

Once the columns are totaled, they will not be equal until the net income or net loss is added.

See page 206

Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

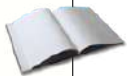
Matching principles are used by managers for:

Analyzing Results

Making Decisions

matching principle

Principle requiring that the expenses incurred in an accounting period are matched with revenue earned in the same period.



Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

Showing Net Income on the Work Sheet

Zip Delivery Service							
Work Sheet							
For the Month Ended October 31, 20--							
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
101	Cash in Bank	2112500				2112500	
		145000				145000	
	any						
		300000				300000	
		20000				20000	
		1200000				1200000	
	Advertising		7500				7500
	Auto		1165000				1165000
			2540000				2540000
	als	50000				50000	
			265000		265000		
		7500		7500			
14	505 Maintenance Expense	60000		60000			
15	510 Rent Expense	70000		70000			
16	515 Utilities Expense	12500		12500			
17		3977500	3977500	150000	265000	3827500	3712500
18	Net Income			115000			115000
19							

A - After the last account, skip a line and enter the words *Net Income* or *Net Loss* in the Account Name column.

A



B

C

See page 207

Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

Showing Net Income on the Work Sheet

B - On the same line, enter the net income total under the Income Statement Debit column, or the net loss under the Credit column.

Zip Delivery Service							
Work Sheet							
For the Month Ended October 31, 20--							
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
		2112500				2112500	
		145000				145000	
		300000				300000	
		20000				20000	
		1200000				1200000	
			7500				7500
			1165000				1165000
			2540000				2540000
		50000				50000	
			265000		265000		
		7500		7500			
		60000		60000			
		70000		70000			
		12500		12500			
		3977500	3977500	150000	265000	3827500	3712500
				115000			115000

A

B

C

Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

Showing Net Income on the Work Sheet

Zip Delivery Service							
Work Sheet							
For the Month Ended October 31, 20--							
ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1	101 Cash in Bank	2112500				2112500	
		145000				145000	
		300000				300000	
		20000				20000	
		1200000				1200000	
			7500				7500
			1165000				1165000
			2540000				2540000
		50000				50000	
			265000		265000		
		7500		7500			
14	505 Maintenance Expense	60000		60000			
15	510 Rent Expense	70000		70000			
16	515 Utilities Expense	12500		12500			
17		3977500	3977500	150000	265000	3827500	3712500
18	Net Income			115000			115000
19							

C - On the same line, enter the net income amount under the Balance Sheet Credit column, or the net loss under the Debit column.

A

B



C

Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

D - Draw a single rule across the four Income Statement and Balance Sheet columns below net income.

E - Bring down the Income Statement Debit and Credit column totals (after adding net income or net loss).

Showing Net Income

Zip Delivery Service
Work Sheet
For the Month Ended October 31, 20--

ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
101	Cash in Bank	2112500				2112500	
105	Accts. Receivable—City News	145000				145000	
110	Accts. Receivable—Green Company						
115	Computer Equipment	300000				300000	
120	Office Equipment	200000				200000	
125	Delivery Equipment	1200000				1200000	
201	Accts. Payable—Beacon Advertising		7500				7500
205	Accounts Pay.—North Shore Auto		1165000				1165000
301	Maria Sanchez, Capital		2540000				2540000
302	Maria Sanchez, Withdrawals	500000				500000	
303	Income Summary						
401	Delivery Revenue		265000		265000		
501	Advertising Expense	75000		75000			
505	Maintenance Expense	60000		60000			
510	Rent Expense	70000		70000			
515	Utilities Expense	125000		125000			
		3977500	3977500	150000	265000	3827500	3712500
	Net Income			115000			115000
				265000	265000	3827500	3827500

Showing Net loss

501	Maintenance Expense	37500		37500			
510	Rent Expense	94000		94000			
515	Utilities Expense	9700		9700			
		4649200	4649200	258300	183700	2779100	2853700
	Net Loss			74600		74600	
				258300	258300	2853700	2853700

Showing Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the Work Sheet

F - Bring down the Balance Sheet Debit and Credit column totals (after adding net income or net loss).

G - Draw a double rule under the four Balance Sheet and Income Statement totals.

Total debits should equal total credits.

Zip Delivery Service
Work Sheet
For the Month Ended October 31, 20--

ACCT. NO.	ACCOUNT NAME	TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
101	Cash in Bank	2112500				2112500	
105	Accts. Receivable—City News	145000				145000	
110	Accts. Receivable—Green Company						
115	Computer Equipment	300000				300000	
120	Office Equipment	200000				200000	
125	Delivery Equipment	1200000				1200000	
201	Accts. Payable—Beacon Advertising		7500				7500
205	Accounts Pay.—North Shore Auto		1165000				1165000
301	Maria Sanchez, Capital		2540000				2540000
302	Maria Sanchez, Withdrawals	50000				50000	
303	Income Summary						
401	Delivery Revenue		265000		265000		
501	Advertising Expense	7500		7500			
505	Maintenance Expense	60000		60000			
510	Rent Expense	70000		70000			
515	Utilities Expense	125000		125000			
		3977500	3977500	150000	265000	3827500	3712500
	Net Income			115000			115000
				265000	265000	3827500	3827500

Note: Red arrows and labels A, B, D, E, F, G, C indicate the steps for bringing down totals and drawing double rules.

Showing Net loss

501	Maintenance Expense	37500		37500			
510	Rent Expense	94000		94000			
515	Utilities Expense	9700		9700			
		4649200	4649200	258300	183700	2779100	2853700
	Net Loss			74600		74600	
				258300	258300	2853700	2853700

Note: Red arrows and labels A, B, E, F, G, D, C indicate the steps for showing net loss.

Showing a Net Income or Net Loss on the Work Sheet

Section 8.2

Completing the
Work Sheet

Showing Net Loss

14	501	Maintenance Expense	375 00		375 00					14
15	510	Rent Expense	940 00		940 00					15
16	515	Utilities Expense	97 00		97 00					16
17			46 492 00	46 492 00	2 583 00	1 837 00	27 791 00	28 537 00		17
18		Net Loss				746 00	746 00			18
19					2 583 00	2 583 00	28 537 00	28 537 00		19
20										20

Diagram labels: A points to the Net Loss row; B points to the total expenses column; E points to the net loss amount; F points to the total revenue column; G, D, and C point to the net loss amount in the revenue and total revenue columns.

See page 209



net loss

The amount by which total expenses exceed total revenue for the accounting period.

A Review of the Six-Column Work Sheet

Section 8.2

Completing the
Work Sheet

- 1 Enter the heading.
- 2 Enter account numbers, names, and balances.
- 3 Show that Trial Balance debits and credits are equal.
- 4 Transfer the Trial Balance values to the Income Statement and Balance Sheet sections.
- 5 Total the Income Statement and Balance Sheet columns.
- 6 Determine the net income or net loss.
- 7 Enter the net income or net loss in the Income Statement and Balance Sheet columns.
- 8 Total and rule the four columns.

Question 1

List the steps involved in completing a six-column work sheet.

- 1 Enter the heading.
- 2 Enter account numbers, names, and balances.
- 3 Show that Trial Balance debits and credits are equal.
- 4 Transfer the Trial Balance values to the Income Statement and Balance Sheet sections.
- 5 Total the Income Statement and Balance Sheet columns.
- 6 Determine the net income or net loss.
- 7 Enter the net income or net loss in the Income Statement and Balance Sheet columns.
- 8 Total and rule the four columns.

Question 2

Why are the Balance Sheet columns not equal for a business that has net income?

The Trial Balance will be equal, but when the revenue and expense items (temporary capital accounts) are separated from the Balance Sheet accounts, the Income Statement and Balance Sheet columns will be out of balance by the same amount. This happens because revenues increase and expenses decrease the owner's equity account (capital). Net income occurs when revenue exceeds expenses. Therefore, the capital account will be out of balance by the amount of the net income.

Glencoe

First-Year Course

Accounting

Real-World Applications & Connections

Mc
Graw
Hill

MEET OUR PARTNERS

Sage Peachtree
QuickBooks[®]

 Robert Half International
A Global Leader in Professional Services Since 1948

DISCOVER

 **connect**[™]
Online Accounting
Solutions

EXPLORE

• Entrepreneurships
• Partnerships
• Corporations
amazon.com[™]
Annual Report



End of
CHAPTER

8

**THE SIX-COLUMN
WORK SHEET**

SECTION 8.1

**PREPARING THE
WORK SHEET**

SECTION 8.2

**COMPLETING THE
WORK SHEET**