

Accounting I
Chapter 6
WORK SHEET FOR A SERVICE BUSINESS

Review: Summative Assessment (Ch. 5 Quiz/Reinforcement Activity)

Accounting Concept: *Consistent Reporting*--When the same accounting procedures are followed in the same way in each accounting period.

Assign Students to Read Ch. 6 and complete the terms p. 150 (*Students may hand-write them on handout or do on word processor*)

Discuss Section 6-1: Creating a Works Sheet

The length of time for which a business summarizes and reports financial information is called a Fiscal Period.

--most businesses use a one-year cycle (tax purposes); can be one-month --can use any beginning day (month) just so it is consistent

CONCEPT: Accounting Period Cycle--changes in financial information are reported for a specific period of time in the form of financial statements.

A columnar accounting form used to summarize the general ledger information needed to prepare financial statements is called a Work Sheet.

Four Reasons to use a work sheet: (p. 153)

1. To prove debits = credits
2. To bring general ledger accounts up to date
3. To separate accounts according to financial statements
4. Calculate NI/NL

Work Sheet Heading:

Name of Company

Name of Report

Date of Report (for month/year ended mm/dd/yy)

The proof of the equality of debits and credits in a general ledger is a Trial Balance.

- Information from general ledger
- List titles in order of chart of accounts
- List all titles, even those w/o balance

Steps to prepare trial balance (p. 155)

- 1.Account Titles
- 2.Account Balances (debit/credit)
- 3.Single Rule
- 4.Total
- 5.Prove--Debits=Credits
- 6.Double Rule
- 7.

Practice: Complete Work Together/On Your Own p. 155-156

Discuss Section 6-2: Planning Adjusting Entries on a Work Sheet

CONCEPT: Matching Expenses with Revenue--revenue from business activities and expenses associated with earning that revenue are recorded in the same accounting period.

Supplies/Insurance are recorded as assets when purchased. The portion of the asset consumed to earn revenue becomes an expense.

Changes recorded on a worksheet to update general ledger accounts at the end of the fiscal period are called Adjustments.

To determine the amount of the adjustment, ask 4 questions: (p. 158)

1. What is the current balance?
2. What should the balance be?
3. What must be done to correct the account balance?
4. What adjustment is made?

SUPPLIES ADJUSTMENT

D-Supplies Expense

C-Supplies

To record on worksheet:

1. Debit amount in adjustment debit column (supplies expense)
2. Credit amount in adjustment credit column (supplies)
3. Label (a)

PREPAID INSURANCE ADJUSTMENT

D-Insurance Expense

C-Prepaid Insurance

To record on worksheet:

1. Debit amount in adjustment debit column (insurance expense)
2. Credit amount in adjustment credit column (prepaid insurance)
3. Label (b)

To Prove Adjustments column of worksheet (p. 163)

1. Single Rule
2. Total Columns
3. Debits = Credits
4. Double Rule

Practice: Complete Work Together/On Your Own p. 161

Discuss Section 6-3: Extending Financial Information on a Work Sheet

A financial statement that reports assets, liabilities, and owner's equity on a specific date is called a **Balance Sheet**.

The Balance Sheet uses asset, liability, and owner's equity accounts, so these accounts are extended to the balance sheet columns on the worksheet; figure new balances for adjusted accounts. (p. 162)

A financial statement showing the revenue and expenses for a fiscal period is called an **Income Statement**.

Income Statements use revenue and expense accounts, so these accounts are extended to the income statement columns on the worksheet; figure new balances for adjusted accounts. (p. 163)

The difference between total revenue and total expenses when total revenue is greater is called Net Income.

The difference between total revenue and total expenses when expenses are greater is called Net Loss.

To Calculate NI/NL on worksheet: (p/ 164-165)

1. Single Rule IS/BS Columns
2. Subtotal Columns
3. Calculate NI/NL--subtract totals, write amount below smaller amount.
4. --outside=NI; inside=NL; amounts must equal!!!
5. Label Net Income or Net Loss
6. Single Rule IS/BS Columns
7. Add Subtotal and NI/NL amount;
8. --Column (IS/BS)Totals MUST Equal
9. Double Rule
- 10.

Practice: Complete Work Together/On Your Own p. 166

Assign: Application Problems 6-1, 2, 3 (p. 172-173)

Discuss Section 6-4: Finding and Correcting Errors on the Work Sheet

Any Errors found on the Work Sheet must be found and corrected before doing any other work!

Reasons for Errors: Omission, posted incorrectly, incorrect adjustment, addition errors

Calculation Errors:

- Difference of 1: Most likely an addition error. Re Add.
- Difference divisible by 2: Could be an amount written in wrong column. Double-check entries.
- Difference divisible by 9: Transposed Number or Slide; Double-check entries.
- Difference is an omitted amount: Look for an amount equal to difference.

- Work Sheet Errors: (p. 168)
 - Trial Balance Columns
 - Adjustment Columns
 - Income Statement/Balance Sheet Columns

How To Correct Errors (p. 169)

PREVENT ERRORS BY WORKING CAREFULLY!!!

--check work at each step --add amounts twice to verify correctness (use a calculator)

Practice: Complete Work Together/On Your Own p. 170

Assign: Application Problem 6-4 p. 173

Review: Worksheet Overlay 160A-C

Formative Assessment: Assign Mastery Problem 6-5

Assign Recycling Problem if needed

Prepare for Summative Assessment: Complete Study Guide 6

Review for Exam (Practice Quiz)

Summative Assessment--Ch. 6 Quiz--Concept & Application