

Name: \_\_\_\_\_

## Lesson 6-1: Creating a Work Sheet

Objectives: LO1: \_\_\_\_\_

LO2: \_\_\_\_\_

### A. Consistent reporting

- **GAAP: Consistent Reporting:**
- Before accounting data can be utilized, It must be \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ in a useful way.

### B. Fiscal Periods

- **Fiscal period:**
  - AKA: \_\_\_\_\_
  - Each business decides their fiscal period.
- **GAAP: Accounting Period Cycle:**
- Financial information MUST BE reported for a \_\_\_\_\_ due to federal and state tax reports.
- **Fiscal year:**
- A fiscal period can begin \_\_\_\_\_.
- Financial information can be analyzed at any time, but must be summarized and reported \_\_\_\_\_.

### C. Worksheet

- **Work sheet:**
- Four reasons accountants use a worksheet:
  - 1. \_\_\_\_\_
  - 2. \_\_\_\_\_
  - 3. \_\_\_\_\_
  - 4. \_\_\_\_\_
- A worksheet is not \_\_\_\_\_, so pencil is used to prepare it.

#### D. Preparing the Heading of a Work Sheet

Name of Company ①	Delgado Web Services
Name of Report ②	Work Sheet
Date of Report ③	For Month Ended January 31, 20--

#### E. Preparing a Trial Balance on a Work Sheet

Delgado Web Services		
Work Sheet		
For Month Ended January 31, 20--		
ACCOUNT TITLE	TRIAL BALANCE	
	DEBIT	CREDIT
1 Cash	2 5 9 7 00	
2 Petty Cash	1 0 0 00	
3 Accounts Receivable—Main Street Services	3 0 0 00	
4 Accounts Receivable—Valley Landscaping	4 0 0 00	
5 Supplies	6 2 0 00	
6 Prepaid Insurance	9 0 0 00	
7 Accounts Payable—Canyon Office Supplies		1 2 0 00
8 Accounts Payable—Mountain Graphic Arts		1 0 5 00
9 Michael Delgado, Capital		2 0 0 0 00
10 Michael Delgado, Drawing	1 1 5 0 00	
11 Income Summary		
12 Sales		5 8 2 0 00
13 Advertising Expense	3 9 7 00	
14 Cash Short and Over	1 00	
15 Communications Expense	8 0 00	
16 Equipment Rental Expense	1 4 5 5 00	
17 Insurance Expense		
18 Miscellaneous Expense	4 5 00	
19 Supplies Expense		
20	8 0 4 5 00	8 0 4 5 00
21		
22		
23		

#### • Trial balance:

- Checks that \_\_\_\_\_ equal \_\_\_\_\_.
- Where is the information for the trial balance taken from?  
\_\_\_\_\_
- What order are accounts listed in?  
\_\_\_\_\_
- **ALL/ONLY ACCOUNTS WITH BALANCES** (circle one) are listed.

**Check yourself!**

1. What is written on the three-line heading on a work sheet?
2. What general ledger accounts are listed in the trial Balance columns of a work sheet?

## Lesson 6-2: Planning Adjusting Entries on a Work Sheet

Objectives: LO3: \_\_\_\_\_  
LO4: \_\_\_\_\_

### A. Planning Adjustments on a Work Sheet

- Prepaid expense:
  - Example of a prepaid expense? \_\_\_\_\_
  - **GAAP: Matching Expenses with Revenue:**
- Accrual basis of accounting:
  - GAAP requires this form of accounting
- Cash basis accounting:
  - If the difference between using \_\_\_\_\_ or \_\_\_\_\_ is not significant, a business can use \_\_\_\_\_.
  - **GAAP: Materiality:**
  - Materiality is affected by the \_\_\_\_\_.
- The major difference between accrual and cash basis is \_\_\_\_\_.
  - For accrual basis, revenue from sales is \_\_\_\_\_ on financial statements even if it has not yet been collected.
  - Likewise, \_\_\_\_\_ for the period will also be included even if they have not been paid yet.
  - \*\*\*With \_\_\_\_\_, revenue and expenses are only included on financial statements when the cash is received or paid.
- Adjustments must be made to bring accounts up-to-date.
  - For example, some supplies were used throughout the fiscal period, but the account only shows purchases of supplies.
  - The value of supplies used in a fiscal period becomes a(n) \_\_\_\_\_ to a business.
    - Therefore, owners must calculate value of supplies left on hand and adjust the account.
  - Adjustments:
    - The portions of the \_\_\_\_\_ consumed to earn \_\_\_\_\_ become expenses of a business and must be recorded.

- These adjustments must be \_\_\_\_\_ and \_\_\_\_\_.

### B. Supplies Adjustment on a Work sheet

		1		2		3		4	
ACCOUNT TITLE		TRIAL BALANCE		ADJUSTMENTS					
		DEBIT	CREDIT	DEBIT	CREDIT				
2	<i>Supplies</i>	620.00					(a)	530.00	
14	<i>Supplies Expense</i>					(a)	530.00		

Label 3 points to the debit column of the Adjustments section for Supplies Expense.

1 Debit points to the debit column of the Adjustments section for Supplies Expense.

2 Credit points to the credit column of the Adjustments section for Supplies.

- To record the adjustments, the remaining balance of the asset will be given.
  - For example, in the example above, the remaining balance of the SUPPLIES on hand is \$90, so an adjustment is made to get the account to that amount. ( $\$620.00 - \$530.00 = \$90.00$ )

- FOUR QUESTIONS TO ASK:

- **List the NINE steps to preparing a worksheet:**

○ 1. \_\_\_\_\_

○ 2.

○ 3.

○ 4.

○ 5. \_\_\_\_\_

○ 6.

○ 7. \_\_\_\_\_

○ 8. \_\_\_\_\_

○ 9.

Reading Guide •Chapter 6: Worksheet and Adjusting Entries for a Service Business

Name: \_\_\_\_\_

1. Fill in heading
2. List and balances in Trial Balance
3. Prove and rule to show balance

Delgado Web Services									
Work Sheet									
For Month Ended January 31, 20--									
	ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS					
		DEBIT	CREDIT	DEBIT	CREDIT				
1	Cash	2 5 9 7 00							
2	Petty Cash	1 0 0 00							
3	Accts. Rec.—Main Street Services	3 0 0 00							
4	Accts. Rec.—Valley Landscaping	4 0 0 00							
5	Supplies	6 2 0 00							
6	Prepaid Insurance	9 0 0 00							
7	Accts. Pay.—Canyon Office Supplies		1 2 0 00						
8	Accts. Pay.—Mountain Graphic Arts		1 0 5 00						
9	Michael Delgado, Capital		2 0 0 0 00						
10	Michael Delgado, Drawing	1 1 5 0 00							
11	Income Summary								
12	Sales		5 8 2 0 00						
13	Advertising Expense	3 9 7 00							
14	Cash Short and Over	1 00							
15	Communications Expense	8 0 00							
16	Equipment Rental Expense	1 4 5 5 00							
17	Insurance Expense								
18	Miscellaneous Expense	4 5 00							
19	Supplies Expense								
		8 0 4 5 00	8 0 4 5 00						
22									
23									


Single-rule shows a calculation is being made

Double-rule shows balance

Name: \_\_\_\_\_

C. Prepaid Insurance Adjustment on a Work Sheet I

On January 31, Mr. Delgado checked the insurance records and found that the value of insurance premium remaining was \$750.00. The value of the insurance premium used during the fiscal period is calculated as follows:

	Prepaid Insurance Balance January 31	–	Insurance Premium Remaining Unused, January 31	=	Insurance Premium Used During January
	\$900.00	–	\$750.00	=	\$150.00

- Analyze adjustment amount by asking **the FOUR questions**.
  - 1. What is the balance of the account to be adjusted?** \$900.00
  - 2. What should the balance be for this account?** \$750.00
  - 3. What must be done to correct the account balance?** Decrease \$150.00
  - 4. What adjustment is made?** Debit insurance expense, \$150.00; Credit prepaid insurance, \$150.00

BEFORE ADJUSTMENT		AFTER ADJUSTMENT	
Insurance Expense		Insurance Expense	
		Adj. (b)	150.00
Prepaid Insurance		Prepaid Insurance	
Jan. 31 Bal.	900.00	Jan. 31 Bal.	900.00
		(New Bal.	750.00)
		Adj. (b)	150.00

Subtract used up portion







**Reading Guide •Chapter 6: Worksheet and Adjusting Entries for a Service Business**

**Name:** \_\_\_\_\_

**Check yourself!**

1. Explain how the concept of matching expenses with revenue relates to adjustments
2. List the four questions asked in analyzing an adjustment on a work sheet.

## Lesson 6-3: Completing the Work Sheet and Finding Errors on a Work Sheet

Objectives: LO5: \_\_\_\_\_  
 LO6: \_\_\_\_\_  
 LO7: \_\_\_\_\_

### A. Extending Balance Sheet Account Balances on a Work Sheet

- We use the worksheet to prepare for creating these two financial statements:

○ 1. \_\_\_\_\_

○ 2. \_\_\_\_\_

- Balance sheet:

- A look at accounts **ON A SPECIFIC DATE.**

- Which account divisions are on the Balance Sheet?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

Delgado Web Services													
Work Sheet													
For Month Ended January 31, 20--													
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET						
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT					
1 Cash	2 597.00						2 597.00						1
2 Petty Cash	100.00						100.00						2
3 Accts. Rec.—Main Street Services	300.00						300.00						3
4 Accts. Rec.—Valley Landscaping	400.00						400.00						4
5 Supplies	620.00			(a) 530.00			90.00						5
6 Prepaid Insurance	900.00			(b) 150.00			750.00						6
7 Accts. Pay.—Canyon Office Supplies		120.00						120.00					7
8 Accts. Pay.—Mountain Graphic Arts		105.00						105.00					8
9 Michael Delgado, Capital		2000.00						2000.00					9
10 Michael Delgado, Drawing	1150.00						1150.00						10
11 Income Summary													11
12 Sales		5820.00											12
13 Advertising Expense	397.00												13
14 Cash Short and Over	1.00												14
15 Communications Expense	80.00												15
16 Equipment Rental Expense	1455.00												16
17 Insurance Expense			(b) 150.00										17
18 Miscellaneous Expense	45.00												18
19 Supplies Expense			(a) 530.00										19
20	8045.00	8045.00	680.00	680.00									20
21													21

### 6. Calculate and Extend Balance Sheet accounts (Assets/Liabilities/Owner's Equity)

B. Extending Income Statement Account Balances on a Work Sheet

- Income Statement:

- Shows account balances for a **FISCAL PERIOD**.

- Lists which accounts? \_\_\_\_\_

- AKA Profit and Loss Statement

Delgado Web Services									
Work Sheet									
For Month Ended January 31, 20--									
	1	2	3	4	5	6	7	8	
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1 Cash	2 597 00						2 597 00		1
2 Petty Cash	1 00 00						1 00 00		2
3 Accts. Rec.—Main Street Services	3 00 00						3 00 00		3
4 Accts. Rec.—Valley Landscaping	4 00 00						4 00 00		4
5 Supplies	6 20 00			(a) 530 00			9 00 00		5
6 Prepaid Insurance	9 00 00			(b) 150 00			7 50 00		6
7 Accts. Pay.—Canyon Office Supplies		1 20 00						1 20 00	7
8 Accts. Pay.—Mountain Graphic Arts		1 05 00						1 05 00	8
9 Michael Delgado, Capital		2 00 00						2 00 00	9
10 Michael Delgado, Drawing	1 15 00						1 15 00		10
11 Income Summary									11
12 Sales		5 820 00				5 820 00			12
13 Advertising Expense	3 97 00				3 97 00				13
14 Cash Short and Over	1 00				1 00				14
15 Communications Expense	8 00				8 00				15
16 Equipment Rental Expense	1 45 50				1 45 50				16
17 Insurance Expense			(b) 150 00		150 00				17
18 Miscellaneous Expense	4 50				4 50				18
19 Supplies Expense			(a) 530 00		530 00				19
20	8 045 00	8 045 00	680 00	680 00					20

7. Calculate and extend new Income Statement account balances (Revenue/Expenses)

### C. Recording Net Income and Totaling and Ruling a Work Sheet

- Net Income:
- Net Income/Loss is added or subtracted from both the Income Statement column and the Balance Sheet column (as it affects the CAPITAL account which is a balance sheet account)

Delgado Web Services											
Work Sheet											
For Month Ended January 31, 20--											
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET				
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT			
1 Cash	2 5 9 7 00						2 5 9 7 00		1		
2 Petty Cash	1 0 0 00						1 0 0 00		2		
3 Accts. Rec.—Main Street Services	3 0 0 00						3 0 0 00		3		
4 Accts. Rec.—Valley Landscaping	4 0 0 00						4 0 0 00		4		
5 Supplies	6 2 0 00		(a)	5 3 0 00			9 0 00		5		
6 Prepaid Insurance	9 0 0 00		(b)	1 5 0 00			7 5 0 00		6		
7 Accts. Pay.—Canyon Office Supplies		1 2 0 00						1 2 0 00	7		
8 Accts. Pay.—Mountain Graphic Arts		1 0 5 00						1 0 5 00	8		
9 Michael Delgado, Capital		2 0 0 0 00						2 0 0 0 00	9		
10 Michael Delgado, Drawing	1 1 5 0 00						1 1 5 0 00		10		
11 Income Summary									11		
12 Sales		5 8 2 0 00				5 8 2 0 00			12		
13 Advertising Expense	3 9 7 00				3 9 7 00				13		
14 Cash Short and Over	1 00				1 00				14		
15 Communications Expense	8 0 00				8 0 00				15		
16 Equipment Rental Expense	1 4 5 5 00				1 4 5 5 00				16		
17 Insurance Expense			(b)	1 5 0 00	1 5 0 00				17		
18 Miscellaneous Expense	4 5 00				4 5 00				18		
19 Supplies Expense			(a)	5 3 0 00	5 3 0 00				19		
20	8 0 4 5 00	8 0 4 5 00	6 8 0 00	6 8 0 00	2 6 5 8 00	5 8 2 0 00	5 3 8 7 00	2 2 2 5 00	20		
21 <b>Net Income</b>					3 1 6 2 00			3 1 6 2 00	21		
22					5 8 2 0 00	5 8 2 0 00	5 3 8 7 00	5 3 8 7 00	22		

8. Calculate Net Income/Loss (Difference between Revenue and Expenses)

9. Total (Prove) and Rule the Income Statement and Balance Sheet Columns

### Calculating and Recording a Net Loss on a Work Sheet

ACCOUNT TITLE	INCOME STATEMENT		BALANCE SHEET		
	DEBIT	CREDIT	DEBIT	CREDIT	
20	2 4 0 0 00	2 1 0 0 00	4 5 5 0 00	4 8 5 0 00	20
21 <b>Net Loss</b>		3 0 0 00	3 0 0 00		21
22	2 4 0 0 00	2 4 0 0 00	4 8 5 0 00	4 8 5 0 00	22
23					23

1 Single Rule

2 Totals

3

4 Extend Net Loss

**NOTE THE DIFFERENCE WHEN RECORDING A NET LOSS**

- Net Loss:
- \_\_\_\_\_ are greater than \_\_\_\_\_.



Name: \_\_\_\_\_

## EXTENDING THE BALANCES ON A WORKSHEET

### Balance Sheet Accounts

$$A = L + O$$

### Income Statement Accounts

$$\text{Revenue} - \text{Expenses} = \text{Net Income/Loss}$$

Pro-Floors

Worksheet

For Period Ended December 31, 2018

	Trial Balance		Adjustment		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
<b>Assets</b>								
Cash	26,549.00						26,549.00	
A/R-Brimms Construction	2,000.00						2,000.00	
A/R-Smith & Varney	1,250.00						1,250.00	
Supplies	750.00			275.00			475.00	
Prepaid Insurance	900.00			150.00			750.00	
<b>Liabilities</b>								
A/P-Office Max		321.00						321.00
<b>Owner's Equity</b>								
Jim Smith, Capital		12,000.00						12,000.00
Jim Smith, Drawing	1,000.00						1,000.00	
<b>Revenue</b>								
Sales		26,510.00				26,510.00		
<b>Expenses</b>								
Insurance Expense			150.00		150.00			
Miscellaneous Expense	425.00				425.00			
Rent Expense	2,000.00				2,000.00			
Supplies Expense	575.00		275.00		850.00			
Utilities Expense	350.00				350.00			
Totals	35,799.00	38,831.00	425.00	425.00	3,775.00	26,510.00	32,024.00	12,321.00
Net Income					22,735.00			22,735.00
					26,510.00	26,510.00	32,024.00	35,056.00

Don't forget to make adjustments to balances before extending

**Reading Guide •Chapter 6: Worksheet and Adjusting Entries for a Service Business**

Name: \_\_\_\_\_

*D. Finding and Correcting Errors on the Work Sheet*

- Many different kinds of errors:

- 1.
- 2.
- 3.

*1. Correcting Accounting Errors on the Work Sheet*

- Any errors found on the worksheet should be

\_\_\_\_\_.

- Unlike in journals and ledgers, errors are \_\_\_\_\_ when found on the worksheet.

*2. Checking for Typical Calculation Errors*

- When two columns are not in balance,

\_\_\_\_\_.

- i. Difference is 1 (ie. \$0.01, \$0.10, \$1.00, \$10.00)

1. Add columns again

- ii. Difference is divisible by 2

1. Look for an amount that is half the difference. Was it added/subtracted incorrectly?

- iii. Difference divisible by 9

1. Look for transposed number (ie. 45 and 54)

- iv. Difference is an omitted amount

1. Ie. Difference is \$50 – look for an account with \$50. Was it forgotten when adding?

*3. Checking for Errors in the Work Sheet*

- a. Check for Errors in the Trial balance Columns

1. \_\_\_\_\_

2. \_\_\_\_\_

- b. Check for Errors in the Adjustments Columns

1. \_\_\_\_\_



2. \_\_\_\_\_

c. Check for Errors in the Financial Statements Columns

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

*4. Preventing Errors*

- Check your work! Work carefully!

**Check yourself!**

1. In which Balance Sheet column is net income recorded on the work sheet?
2. In which Balance Sheet column is net loss recorded on the work sheet?
3. What is the first step in checking for arithmetic errors when two column totals are not in balance?
4. What is one way to check for an error caused by transposed numbers?
5. What term is used to describe an error that occurs when numbers are moved to the right or left in an amount column?

## Lesson 6-4: Journalizing and Posting Adjusting Entries

Objectives: LO8: \_\_\_\_\_

### A. Adjusting Entries for Supplies

ACCOUNT TITLE		ADJUSTMENTS	
		DEBIT	CREDIT
5	Supplies		(a) 530 00
19	Supplies Expense	(a) 530 00	

Heading

1

3

Debit

## GENERAL JOURNAL

PAGE 3

Date

2

DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
	<i>Adjusting Entries</i>					
Jan. 31	Supplies Expense			530 00		1
	Supplies				530 00	2

4

Credit

Supplies Expense			
Adj. (a)	530.00		
Supplies			
Jan. 31 Bal.	620.00	Adj. (a)	530.00
(New Bal.)	90.00		

- Remember, the worksheet is just a TOOL – it is not a permanent record, so we must RECORD our adjusting entries to update our accounts to accurate amounts.
- Adjusting entries
  - Adjusting entries are journalized on WHAT page? \_\_\_\_\_
  - What is written on the FIRST journal line before the entries? \_\_\_\_\_
  - We use information from the \_\_\_\_\_ to record our entries.

### B. Adjusting Entries for Prepaid Insurance

The diagram illustrates the process of journalizing and posting an adjusting entry for prepaid insurance. It shows three main components: T-accounts, the General Journal, and the ledger accounts.

**T-accounts:**

ACCOUNT TITLE		ADJUSTMENTS	
		DEBIT	CREDIT
6	Prepaid Insurance		(b) 150.00
17	Insurance Expense	(b) 150.00	

**General Journal (Page 3):**

GENERAL JOURNAL							PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
	<i>Adjusting Entries</i>						
Jan. 31	Supplies Expense			530.00		2	
	Supplies				530.00	3	
31	Insurance Expense			150.00		4	
	Prepaid Insurance				150.00	5	

**Annotations:**

- 1** Date: Points to the date "Jan. 31" in the General Journal.
- 2** Debit: Points to the debit amount "150.00" in the General Journal and the debit entry in the T-accounts.
- 3** Credit: Points to the credit amount "150.00" in the General Journal and the credit entry in the T-accounts.

### C. Partial Ledger Accounts after Posting Adjusting Entries

ACCOUNT <i>Supplies</i>										ACCOUNT NO. 150									
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE										DEBIT	CREDIT			
Jan. 2		G1	1 6 5 00												1 6 5 00				
5		G1	2 2 0 00												3 8 5 00				
19		G1	1 0 5 00												4 9 0 00				
28		G2	1 3 0 00												6 2 0 00				
31		G3		5 3 0 00											9 0 00				

ACCOUNT <i>Prepaid Insurance</i>										ACCOUNT NO. 160									
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE										DEBIT	CREDIT			
Jan. 3		G1	9 0 0 00												9 0 0 00				
31		G3		1 5 0 00											7 5 0 00				

ACCOUNT <i>Insurance Expense</i>										ACCOUNT NO. 550									
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE										DEBIT	CREDIT			
Jan. 31		G3	1 5 0 00												1 5 0 00				

ACCOUNT <i>Supplies Expense</i>										ACCOUNT NO. 570									
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE										DEBIT	CREDIT			
Jan. 31		G3	5 3 0 00												5 3 0 00				

#### Check yourself!

1. Why are adjusting entries journalized?
2. Where is the information obtained to journalize adjusting entries?
3. What accounts are increased from zero balances after adjusting entries for supplies and prepaid insurance are journalized and posted?