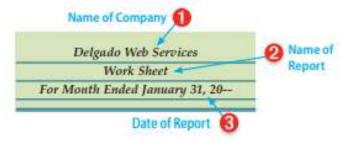
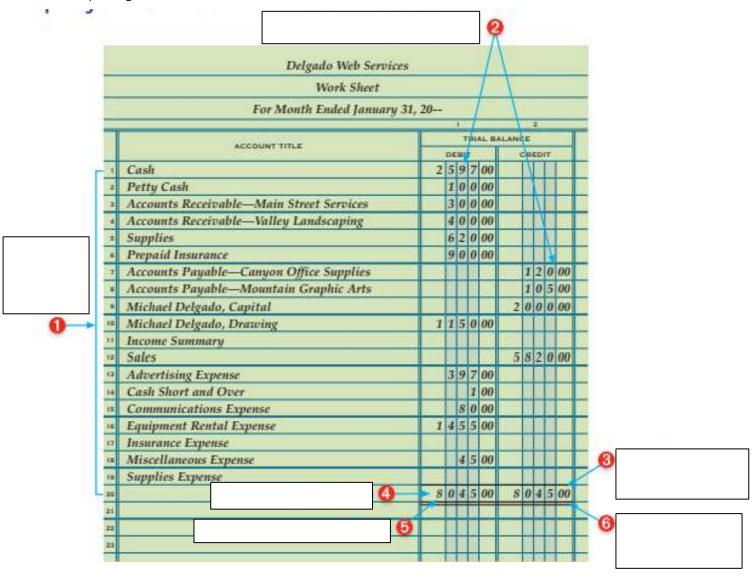
Reading Guide •Chapter 6: Worksheet and Ad Name:	
Lesson 6-1: Creating a Work Sheet	
Objectives: LO1:	
LO2:	
A. Consistent reporting	
GAAP: Consistent Reporting:	
Before accounting data can be utilized, It must be in a useful way.	, and
<ul><li>B. Fiscal Periods</li><li>Fiscal period:</li></ul>	
o AKA:	
<ul> <li>Each business decides their fiscal period.</li> </ul>	
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, b	ut must be summarized and reported .
C. Worksheet	<del></del>
• Work sheet:	
<ul> <li>Four reasons accountants use a worksheet:</li> </ul>	
o 1	
o 2	
o 3	
o 4	
A worksheet is not	

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



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



#### • Trial balance:

$\overline{}$	Checks that	0.0	qual .
$\circ$	CHECKS that	El	quai .

- Where is the information for the trial balance taken from?
- O 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 Objectives:	2: Planning Adjusting Entries on a Work Sheet LO3:
	LO4:
A. Plannin	g Adjustments on a Work Sheet
<ul><li>Prepai</li></ul>	id expense:
	Example of a prepaid expense?
0	GAAP: Matching Expenses with Revenue:
• <u>Accrua</u>	al basis of accounting:
0	GAAP requires this form of accounting
• Cash b	pasis accounting:
0	If the difference between using or
	is not significant, a business can use
0	GAAP: Materiality:
0	Materiality is affected by the
	ajor difference between accrual and cash basis is
0	For accrual basis, revenue from sales is on financial statements even if
, and the second	it has not yet been collected.
0	Likewise, for the period will also be included even if they
, and the second	have not been paid yet.
0	***With, revenue and expenses are
	only included on financial statements when the cash is received or paid.
<ul><li>Adjust</li></ul>	ments 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.
0	The value of supplies used in a fiscal period becomes a(n) to a
	business.
	<ul> <li>Therefore, owners must calculate value of supplies left on hand and adjust the account.</li> </ul>
0	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

Upgggggggggggggg	TRIAL B	ALANCE	ADJUST	MENTS	1	
ACCOUNT TITLE	DEBIT	CREDIT	TIBRE	CREDIT	1	
		Total of the				
		1010101	10 10 10 10			
Supplies	6 2 0 00			ω) 5 3 0 00	-	
		1010101		10.00	-	
Supplies Expense			(a) 5 3 0 00			

- 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)
  - o FOUR QUESTIONS TO ASK:

1.	•		

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

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

4.\_\_\_\_

#### • List the NINE steps to preparing a worksheet:

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

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

 $\circ$  4.

o **5.** 

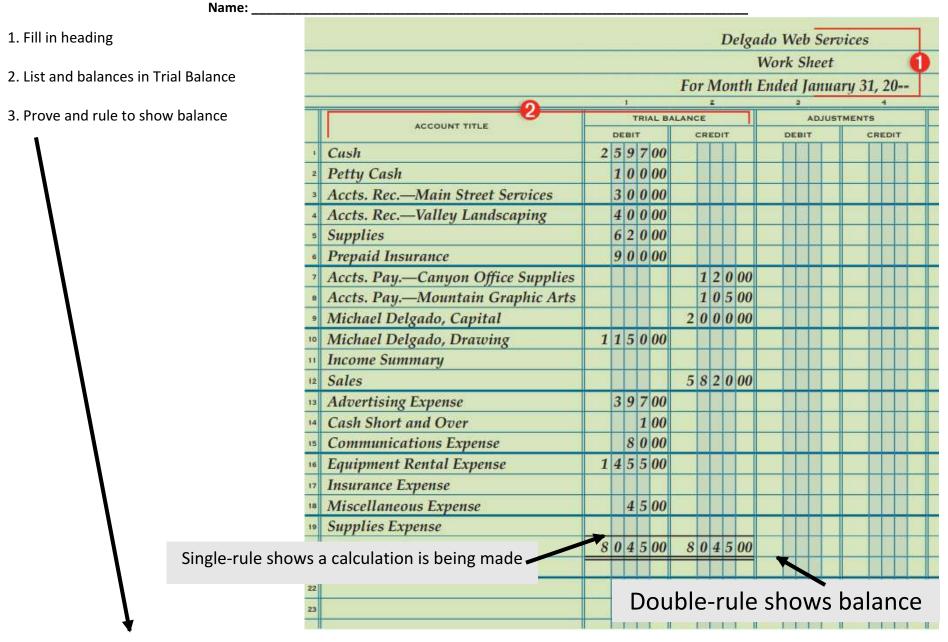
o 6.\_\_\_\_\_

o 7.\_\_\_\_\_

o 8.\_\_\_\_\_

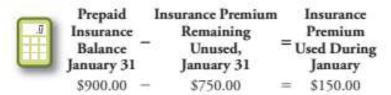
o 9.\_\_\_\_\_

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



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:



- Analyze adjustment amount by asking the FOUR questions.
  - o 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



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

- D. Proving the Adjustments Column on a Work Sheet
  - Don't forget single/double rules!

											173		lang.	To	74	T. (1		1000		all.				
1		Delgado Web Services Work Sheet																						
4. Calculate and record								ie.												2002	-150			
								I	or	-	_	nth	11	Ena	_	_	_	ша	ry :	31,	, 20	)		
adjustments for Supplies		1 2 3 4  TRIAL BALANCE ADJUSTMENTS																						
l		ACCOUNT TITLE		DI	EBI	li pan			0.00000		DIT				DE	EBI	Length			2007	RED	т		t
and Prepaid Insurance	1	Cash	2 5 9 7 00																					
1	2	Petty Cash		1	0	0	00																	
5. Prove and Rule	3	Accts. Rec.—Main Street Services		-			00	_																
l	4	Accts. Rec.—Valley Landscaping		_	-	-	00																	
Adjustments Columns	5	Supplies		_	_	_	00	-											(a)				00	4
, iajastiiisissa sa isiisissa	6	Prepaid Insurance		9	0	0	00												(b)	1	1 5	0	00	
1	7	Accts. Pay.—Canyon Office Supplies							_	_	_	00								1				
1	8	Accts. Pay.—Mountain Graphic Arts							_	_	_	00								1				
	9	Michael Delgado, Capital							2	0 (	0 0	00	0						/					
	10	Michael Delgado, Drawing	Michael Delgado, Drawing 1 1 5		5	0	00												4					
	11	Income Summary				100													4		ļ.,			6
	12	Sales				-			5 8	8 2	2 0	00	0					1						Y
	13	Advertising Expense		3	9	7	00											/						
	14	Cash Short and Over				1	00										1							
	15	Communications Expense			8	0	00										/				10			
	16	Equipment Rental Expense	1	4	5	5	00						9			1	4							
	17	Insurance Expense											(	Ъ)	1	5	0	00						
	18	Miscellaneous Expense			4	5	00																	
	19	Supplies Expense									_	L	-	(a)	_	-		00		1				J
	20		8	0	4	5	00		8	0	1 5	00	)	7	6	8	0	00	7	- 6	8	0	00	
	21																							
	22																							
	23																							

	Reading Guide •Chapter 6: Worksheet and Adjusting Entries for a Service Business Name:
Check yo	
1. Ex	xplain how the concept of matching expenses with revenue relates to adjustments
2. Li	ist 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:

0	1.	

- o 2.\_\_\_\_\_
- Balance sheet:
  - A look at accounts ON A SPECIFIC DATE.
    - O Which account divisions are on the Balance Sheet?

1			
2			
_			

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2	Petty Cash		1	0	0 0	0																				1 (	0	00				
3	Accts. Rec.—Main Street Services		3	0	00	0																				3 (	0 (	00				
4	Accts. Rec.—Valley Landscaping		4	0	0 0	0																				4 (	0	00				
5	Supplies		6	2	0 0	0								6	a)	5 3	3 0	00								5	0	00				
6	Prepaid Insurance		9	0	0 0	0								(	b)	13	5 0	00					P			7 5	5 0	00				
7	Accts. Pay.—Canyon Office Supplies		П				1	2	0 00		П															T	П			1	20	00
8	Accts. Pay.—Mountain Graphic Arts						1	0	5 00																		П			1	9 5	00
9	Michael Delgado, Capital					3	2 0	0	0 00	)																			2	0	0 0	00
10	Michael Delgado, Drawing	1	1	5	0 0	0																	L		- 1	1 5	5 0	00				
11	Income Summary					4							ij				Т					ij					П					
12	Sales					1	8	2	0 00	)																						
3	Advertising Expense		3	9	7 0	0																										
4	Cash Short and Over				10	0																										
5	Communications Expense			8	0 0	0																										
6	Equipment Rental Expense	1	4	5	5 0	0																										
7	Insurance Expense									(b)	1	5	00	00												I						
8	Miscellaneous Expense			4	5 0	0			Ü													I				T						
0	Supplies Expense									(a)	5	3	00	00																		
0		8	0	4	50	0 8	0	4	5 00		6	8	00	00		6 8	3 0	00														
,													177						1										1			

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.

    - AKA Profit and Loss Statement

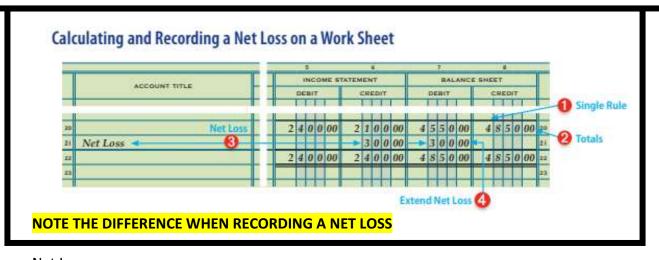
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	ACCOUNT TITLE		DE	віт		T	4	CRE	DIT	5			DEBI	т			CRE	EDIT			D	EBI	т			CRE	DIT			D	EBIT	0		-	CRE	DIT	
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I	Petty Cash		1	0	0 0	00							I																	1	0	0	00				
1	Accts. Rec.—Main Street Services		3	0	0.0	00																								3	0	0	00				
	Accts. Rec.—Valley Landscaping		4	0	0 0	00																								4	0	0	00				
I	Supplies		6	2	0 0	00										(a)	5	3 (	00												9	0	00				
	Prepaid Insurance		9	0	0 0	00										(b)	1	5 (	00	)										7	5	0	00				
	Accts. Pay.—Canyon Office Supplies							1	2 (	0.0	9																								1 3	20	00
	Accts. Pay.—Mountain Graphic Arts							1	0 5	00	9																								11	0 5	00
	Michael Delgado, Capital						2	0	0 0	00	9																							2	0 (	0 (	00
	Michael Delgado, Drawing	1	1	5	0 0	90																								1 1	5	0	00				
	Income Summary																						Î														
	Sales						5	8	2 0	00	0														5	8	2 0	00	4								
	Advertising Expense		3	9	7 (	00															3	9	7	00													
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	Communications Expense			_	0 0	_																	0						4								
	Equipment Rental Expense	1	4	5	5. (	90																	5						Y								
	Insurance Expense										(b)	)	1 5	0	00						1		0														
	Miscellaneous Expense			4	5 (	00																	5														
	Supplies Expense										(a	)	5 3	0	00						5	3	0	00	4												

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)

								1	Del	ga	do	We	eb i	Ser	vic	ces																							
										1	Wo	rk :	Sh	eet																									
						Fo	r I	Me	mt	h I	End	ed	Ja	nu	ary	31	, 2	0-	9																				
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Cash	2	5	9	7	00				T	1		П	T	Г			T	T		T	T	T								2	5	9	70	0			T		1
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Accts. Rec.—Main Street Services												П			T		T	t		L	1	T									3	0	00	00		П			3
Accts. Rec.—Valley Landscaping		4	0	0	00					1																					4	0	0 0	00					4
Supplies		6	2	0	00										(a	)	5 3	3 0	00													91	0 0	00					5
Prepaid Insurance		9	0	0	00										(b	).	1 5	0	00												7	5 (	0 0	0					6
Accts. Pay.—Canyon Office Supplies							1	2	00	0																										1	2 0	00	7
Accts. Pay.—Mountain Graphic Arts							1	0	5 0	0																										1	0 5	00	8
Michael Delgado, Capital						2	0	0	00	0																									2	0	0 0	00	9
	1	1	5	0	00																									1	1	5	0	0					10
Income Summary																																							11
Sales						- 5	8	2	0 0	0		Ш													- 5	8	2	0 (	00										12
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Supplies Expense											a)	-	_	-						L													1						19
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Net Income —			-	8											L																								
																	6	)-		>	5	3 2	0	00	5	8	2	00	)0	5	3	8	7 0	0	5	3	8 7	00	22
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- 8. Calculate Net Income/Loss (Difference between Revenue and Expenses)
- 9. Total (Prove) and Rule the Income Statement and Balance Sheet Columns



Net Loss:

•	are	greater :	than	

Name:			

## **EXTENDING THE BALANCES ON A WORKSHEET**

**Balance Sheet Accounts** 

A = L + O

**Income Statement Accounts** 

Revenue – Expenses = Net Income/Loss

Pro-Floors

Worksheet

For Period Ended December 31, 2018

		Trial B	alance	Adjust	ment	Income S	tatement	Balance	Sheet
		Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
	Cash	26,549.00		į ji				26,549.00	
10000000	A/R-Brimms Construction	2,000.00						2,000.00	
Assets	A/R-Smith & Varney	1,250.00						1,250.00	
100	Suppiles	750.00			275.00			475.00	
	Prepaid Insurance	900.00			150.00			750.00	
Liabilities	A/P-Office Max		321.00						321.00
Owner's	Jim Smith, Capital		12,000.00	Don't for	get to make				12,000.00
Equity	Jim Smith, Drawing	1,000.00	T.		its to balance:	s		1,000.00	
	Income Summary			before	extending				
Revenue	Sales		26,510.00	" 1			26,510.00		
	Insurance Expense			150.00		150.00			
Topone Company	Miscellaneous Expense	425.00	The state of the s			425.00			
Expenses	Rent Expense	2,000.00			/	2,000.00			
it s	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

J	and Correcting E	rrors on the Work Shee	et	
• Many	different kinds of o	errors:		
	2.			
	3.			
1. Coi	recting Accountir	ng Errors on the Work :	Sheet	
•	Any errors found	on the worksheet shou	ld be	
•	Unlike in journals			· _ when found on th
2. Che		Calculation Errors ins are not in balance,		
	i. Difference	e is 1 (ie. \$0.01, \$0.10, \$	1.00, \$10.00)	<del></del>
		dd columns again		
	1. Ac	iu coluitiis agaili		
		e is divisible by 2		
	ii. Difference	e is divisible by 2	s half the difference. Was it adde	d/subtracted
	ii. Differenc	e is divisible by 2	s half the difference. Was it adde	d/subtracted
	ii. Difference 1. Lo ine	e is divisible by 2 ook for an amount that is	s half the difference. Was it adde	d/subtracted
	ii. Difference 1. Lo inc iii. Difference	e is divisible by 2  ook for an amount that is correctly?		d/subtracted
	ii. Difference 1. Lo inc iii. Difference 1. Lo	e is divisible by 2  bok for an amount that is correctly? e divisible by 9		d/subtracted
	ii. Difference  1. Lo  inc  iii. Difference  1. Lo  iv. Difference	e is divisible by 2  bok for an amount that is correctly? e divisible by 9  bok for transposed numb e is an omitted amount		
	ii. Difference  1. Lo  inc  iii. Difference  1. Lo  iv. Difference  1. le	e is divisible by 2  bok for an amount that is correctly? e divisible by 9  bok for transposed numb e is an omitted amount	per (ie. 45 and 54)	
3. Che	ii. Difference  1. Lo  inc  iii. Difference  1. Lo  iv. Difference  1. le  act  cking for Errors in  a. Check for Errors	e is divisible by 2  bok for an amount that is correctly? e divisible by 9  bok for transposed numble is an omitted amount . Difference is \$50 – look Iding? In the Work Sheet Its in the Trial balance Co	oer (ie. 45 and 54) k for an account with \$50. Was it	

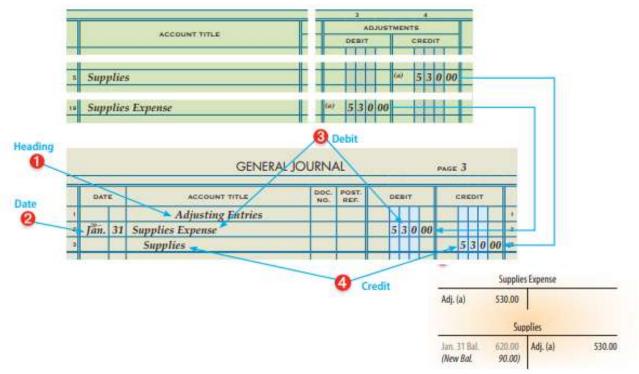
1. \_\_\_\_\_

2
c. Check for Errors in the Financial Statements Columns  1
2.
3
4
<ul><li>4. Preventing Errors</li><li>Check your work! Work carefully!</li></ul>
Check yourself!
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

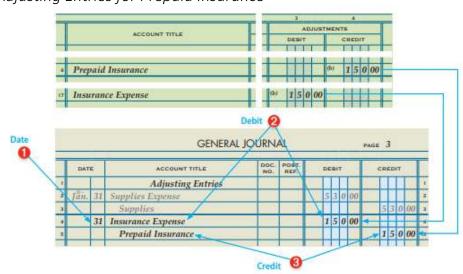
Objectives: LO8:

A. Adjusting Entries for Supplies



- 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?

  - o We use information from the \_\_\_\_\_\_ to record our entries.
- B. Adjusting Entries for Prepaid Insurance



C. Partial Ledger Accounts after Posting Adjusting Entries

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#### 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?