



BRONX COMMUNITY COLLEGE
The City University of New York

Business & Information Systems Department

ACC 111

FINANCIAL ACCOUNTING I

Study Session #1
Fall 2020

Questions ONLY

Prof. Howard Clampman - Chairperson



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BRONX COMMUNITY COLLEGE
of The City University of New York
Business & Information Systems Department

Study Session #1

Instructors: *Prof. Clarence Perkins and Prof. Paul Jaijairam*

Learning Objectives:

Topics to be discussed are as follows:

- Review of the accounting equation
- Rules of debits & credits
- The use of "T" accounts
- Analyzing business transactions
- Recording and posting business transactions
- Preparing a Trial Balance
- Preparing the Financial Statements
- Preparing Adjusting Entries

We will be using the Excel spreadsheet to answer problems #1 - #3. If you are not familiar with Excel, please print out the Excel spreadsheet, all tabs, so you can manually solve the questions.

Next Review Session:

Saturday, October 24th - Exam #2 Review

Time: 6pm - 9:30pm

Location (Online): <https://zoom.us/j/4100952371>

Problem #1

Objective: To analyze and prepare business transactions and to prepare a trial balance.

Below is presented the trial balance that was taken from the general ledger of Madison Service Company at the end of August 31, 2020.

Madison Service Company		
Trial Balance		
August 31, 2020		
Account Titles	Debits	Credits
Cash	\$68,000	
Accounts Receivable	4,300	
Prepaid Insurance	2,000	
Prepaid Rent	7,000	
Office Supplies	2,200	
Repair Equipment	42,000	
Accumulated Depreciation, Repair Equipment		\$12,000
Accounts Payable		16,300
Unearned Service Revenue		12,500
W. Madison, Capital		84,400
W. Madison, Drawings	3,400	
Repair Service Revenue		53,800
Wages Expense	18,200	
Advertising Expense	15,000	
Rent Expense	11,500	
Utilities Expense	5,400	
Totals	\$179,000	\$179,000

During the month of September 2020, Madison Service Company had the following transactions:

Sept. 3 The owner, W. Madison, invested cash of \$35,000 and repair equipment of \$15,000 into the business.

5 Purchased office supplies for cash, \$3,900.

8 Purchased a one-year insurance policy in advance, \$7,200.

10 Purchased repair equipment on credit, \$5,000.

12 Performed repair service and received cash from clients, \$10,800.

15 The business made a partial payment for the repair equipment purchased on Sept. 10, \$2,500.

- 17 Billed clients for repair service performed on credit, \$9,200.
- 19 Paid for advertisement, \$4,600.
- 23 Paid utility bills for the month, \$800.
- 25 Received cash from clients that were billed previously on September 17, \$5,200.
- 28 Paid the employee wages, \$6,700.
- 28 W. Madison withdrew cash for personal use, \$2,800.

Required:

- 1) Using the general ledger (T account paper) provided on page 1 (Tab #1), enter the account titles and balances shown on the trial balance. **This was already done for you.**
- 2) Prepare the entries in the general journal on page 2 (Tab #2) using the information provided above (omit explanations) and post them to the T accounts on page 1 (Tab #1). (omit posting references)
- 3) After calculating the balance of each account in the general ledger (T accounts) on page 1 (Tab #1), prepare an unadjusted trial balance using the accounting paper provided on page 3 (Tab #3).

Problem #2

Objective: To prepare the financial statements of a service company.

Nicholas Jay Company had the following Adjusted Trial Balance at the end of September 2020.

<i>Nicholas Jay Company</i>		
<i>Adjusted Trial Balance</i>		
<i>September 30, 2020</i>		
	<u>Debits</u>	<u>Credits</u>
Cash	\$ 190,000	
Notes Receivable	12,000	
Accounts Receivable	25,000	
Store Supplies	7,500	
Prepaid Rent	4,000	
Building	102,000	
Store Equipment	6,000	
Accounts Payable		\$ 45,200
Mortgage Payable		62,000
Nicholas Jay, Capital		182,000
Nicholas Jay, Drawings	7,000	
Service Fees Revenue		126,000
Wages Expense	19,200	
Utilities Expense	5,000	
Rent Expense	31,000	
Insurance Expense	2,500	
Advertising Expense	4,000	
Totals	\$ 415,200	\$ 415,200

Required:

Prepare the following financial statements, using page 4 (Tab #3), for the month of September 2020:

- a) The Income Statement
- b) The Statement of Owners' Equity (**see note below**)
- c) The Balance Sheet

Note: Assume that investments of \$32,000 was made during the month of September into the business. ***This investment amount is already included in the capital balance of \$182,000 shown above.***

Problem #3

Objective: To prepare a company's adjusting entries at the end of the accounting period.

Presented below is the unadjusted trial balance that was taken from the general ledger of Kamla Rental Company at the end of August 31, 2020 to be used to prepare the adjusting entries.

Kamla Rental Company		
Unadjusted Trial Balance		
August 31, 2020		
	<u>Debits</u>	<u>Credits</u>
Cash	\$45,000	
Accounts Receivable	8,500	
Notes Receivable	15,000	
Prepaid Insurance	4,500	
Prepaid Rent	9,200	
Office Supplies	1,500	
Store Equipment	16,600	
Accumulated Depreciation, Store Equipment		\$6,000
Accounts Payable		1,800
Unearned Rental Revenue		15,000
Notes Payable		9,000
Kamla, Capital		42,000
Kamla, Drawings	5,100	
Rental Revenue		52,900
Salaries Expense	11,500	
Insurance Expense	2,100	
Rent Expense	3,500	
Utilities Expense	4,200	
Totals	\$126,700	\$126,700

Kamla Rental Company had the following information relating to its August 31st month-end adjustments:

- a) An inventory on 8/31/20 showed Office Supplies on hand of \$600.
- b) Depreciation on the company's Store Equipment was estimated at \$1,000.
- c) Expired insurance amounted to \$2,400.
- d) Unearned Rental Revenue earned for the month amounted to \$9,000.
- e) Unrecorded accrued salaries as of 8/31/20 amounted to \$4,500.
- f) Rental revenue earned and unrecorded as of 8/31/20 amounted to \$3,200.
- g) There was \$4,200 Prepaid Rent still unexpired as of 8/31/20.
- h) Unrecorded interest on The Sunshine Rental Company's notes receivable was \$800 as of 8/31/20.
- i) Unrecorded interest on notes payable as of 8/20/20 was \$500.

Required: Prepare the adjusting entries as of August 31st in the general journal on using page 4 (Tab #4) using the information provided above (omit explanations).

Problem #4 – Take Home/Practice

Objective: To prepare a company's adjusting entries at the end of the accounting period.

Use the unadjusted trial balance from Kamla Rental Company presented on page 16 to do the below adjusting entries. *Both questions are independent of each other.*

- a) Office Supplies used as of 8/31/20 was \$600.
- b) Depreciation on the company's Store Equipment was estimated at \$4,000.
- c) An examination of the company's insurance policy showed \$2,100 of unexpired insurance as of 8/31/20.
- d) Unearned Rental Revenue still unearned for the month of August amounted to \$8,000.
- e) Unrecorded accrued salaries as of 8/31/20 amounted to \$4,900.
- f) Unrecorded interest on the company's notes payable as of 8/31/20 was \$750.
- g) Rental revenue earned and unrecorded as of 8/31/20 amounted to \$3,800.
- h) Prepaid Rent of \$5,100 was expired as of 8/31/20.
- i) Unrecorded interest on The Sunshine Rental Company's notes receivable was \$900 as of 8/31/20.

Required:

Prepare the adjusting entries as of August 31st in the general journal on using page 4 (Tab #5) using the information provided above (omit explanations).