

Unit 12

Work Sheet, Adjustments, Financial Statements

So Far;

Adjustments are necessary of financial statements are to be correct

How to adjust prepaid expenses such as supplies rent, and insurance

How to adjust fixed assets by recording depreciation expenses

Eight-Column Work Sheet

It is prepared the same way that a six column work sheet is prepared.

There is now an adjustment section to the work sheet

see page 257 for the adjustments

Management Consultant Services
Work Sheet
For the year ended December 31, 19--

ACCOUNT TITLE	ACC. NO.	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	100	13 000							
2 Accounts Receivable	102	7 000							
3 Supplies	131	1 000			A) 600			400	
4 Prepaid Insurance	132	900			B) 300			600	
5 Prepaid Rent	133	5 100			C) 5100			0	
6 Equipment	141	12 000							
7 Accumulated Depreciation—Equip.	142		2 400		D) 1720				4320
8 Accounts Payable	200		1 000						
9 Bank Loan	221		3 000						
10 J. Turner, Capital	300		10 400						
11 J. Turner, Drawings	301	15 000							
12 Fees Earned	400		144 000						
13 Salaries Expense	500	89 500							
14 Utilities Expense	501	1 300							
15 Rent Expense	502	15 300			5100				
16 Miscellaneous Expense	503	700							
		160 800	160 800						
18 SUPPLIES EXPENSE					A) 600	600			
19 INSURANCE EXPENSE					B) 300	300			
20 RENT EXPENSE					5100				
21 DEPRECIATION EXPENSE-EQUIP					D) 1720	1720			
22									
23									

Figure 6-5 Eight-column work sheet

Management Consultant Services
Work Sheet
For the year ended December 31, 19--

ACCOUNT TITLE	ACC. NO.	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1 Cash	100	13 000						13 000		1
2 Accounts Receivable	102	7 000						7 000		2
3 Supplies	131	1 000		(a) 600				400		3
4 Prepaid Insurance	132	900		(b) 300				600		4
5 Prepaid Rent	133	5 100		(c) 5 100						5
6 Equipment	141	12 000						12 000		6
7 Accumulated Depreciation—Equip.	142		2 400		(d) 1 920				4 320	7
8 Accounts Payable	200		1 000						1 000	8
9 Bank Loan	221		3 000						3 000	9
10 J. Turner, Capital	300		10 400						10 400	10
11 J. Turner, Drawings	301	15 000						15 000		11
12 Fees Earned	400		144 000				144 000			12
13 Salaries Expense	500	89 500				89 500				13
14 Utilities Expense	501	1 300				1 300				14
15 Rent Expense	502	15 300		(c) 5 100		20 400				15
16 Miscellaneous Expense	503	700				700				16
		160 800	160 800							17
18 Supplies Expense	504			(a) 600		600				18
19 Insurance Expense	505			(b) 300		300				19
20 Depreciation Expense—Equipment	506			(d) 1 920		1 920				20
21				7 920	7 920		144 000	48 000	18 720	21
22 Net Income						29 280			29 280	22
23						144 000	144 000	48 000	48 000	23

FIGURE 6-9 Completed work sheet

Steps in Preparing the Eight-Column Work Sheet

1. Write the heading on the work sheet.
2. Write the trial balance on the work sheet.
3. Gather the data needed to prepare the adjustments.
4. Prepare the adjustments and total, balance, and rule the adjustment columns.
5. Transfer all items to either the income statement or balance sheet columns.
6. Total the income statement and balance sheet columns and determine the net income or net loss.
7. Balance and rule the work sheet.

Management Consultant Services
Work Sheet
For the year ended December 31, 19--

ACCOUNT TITLE	ACC. NO.	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1 Cash	100	13 000				13 000				13 000	
2 Accounts Receivable	102	7 000				7 000				7 000	
3 Supplies	131	1 000		(a) 600	400					400	
4 Prepaid Insurance	132	900		(b) 300	600					600	
5 Prepaid Rent	133	5 100		(c) 5 100							
6 Equipment	141	12 000				12 000				12 000	
7 Accumulated Depreciation—Equip.	142		2 400		(d) 1 920	4 320				4 320	
8 Accounts Payable	200		1 000				1 000				1 000
9 Bank Loan	221		3 000				3 000				3 000
10 J. Turner, Capital	300		10 400				10 400			10 400	
11 J. Turner, Drawings	301	15 000				15 000				15 000	
12 Fees Earned	400		144 000				144 000				
13 Salaries Expense	500	89 500				89 500		89 500			
14 Utilities Expense	501	1 300				1 300		1 300			
15 Rent Expense	502	15 300		(c) 5 100		20 400		20 400			
16 Miscellaneous Expense	503		700			700		700			
		160 800	160 800								
18 Supplies Expense	504			(a) 600		600		600			
19 Insurance Expense	505			(b) 300		300		300			
20 Depreciation Expense—Equipment	506			(d) 1 920		1 920		1 920			
21				7 920	7 920	162 720	162 720	114 720	144 000	48 000	18 720
22 Net Income								29 280			29 280
23								144 000	144 000	48 000	48 000

UNIT 12 WORK SHEET, ADJUSTMENTS, FINANCIAL STATEMENTS, 267

FIGURE 6-10 Ten-column work sheet

Management Consultant Services
Income Statement
For the year ended December 31, 19--

Revenue	
Fees Earned	\$144 000
Expenses	
Salaries Expense	\$89 500
Utilities Expense	1 300
Rent Expense	20 400
Miscellaneous Expense	700
Supplies Expense	600
Insurance Expense	300
Depreciation Expense—Equipment	<u>1 920</u>
Net Income	<u>114 720</u> <u>\$ 29 280</u>

FIGURE 6-11 Income statement prepared from the work sheet

Management Consultant Services

Management Consultant Services
Balance Sheet
December 31, 19--

Assets		
Current Assets		
Cash	\$13 000	
Accounts Receivable	7 000	
Supplies	400	
Prepaid Insurance	600	
Total Current Assets	<u>21 000</u>	\$21 000
Fixed Assets		
Equipment	12 000	
Less: Accumulated Depreciation	<u>4 320</u>	
Total Fixed Assets	<u>7 680</u>	
Total Assets		<u>\$28 680</u>
Liabilities and Owner's Equity		
Current Liabilities		
Accounts Payable	\$1 000	
Bank Loan	<u>3 000</u>	
Total Current Liabilities		\$ 4 000
Owner's Equity		
J. Turner, Capital January 1	10 400	
Add: Net Income for the year	\$29 280	
Less: J. Turner, Drawings	<u>15 000</u>	
Increase in Capital	14 280	
J. Turner, Capital December 31		<u>24 680</u>
Total Liabilities and Owner's Equity		<u>\$28 680</u>

FIGURE 6-10 Balance sheet prepared from the work sheet

