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Adjusting Entries and the Work Sheet

STUDY GUIDE QUESTIONS

PART 1 True/False

For each of the following statements, circle T if the statement is true and F if the statement is false.

- T F 1. Adjusting entries recorded on a work sheet must also be journalized.
- T F 2. The book value of an asset is always equal to the asset's true market value.
- T F 3. Each adjusting entry involves both an income statement account and a balance sheet account.
- T F 4. The purpose of a work sheet is to enable the accountant to prepare the financial statements.
- T F 5. The cost of insurance used will appear in the Adjustments Debit column, the Adjusted Trial Balance Debit column, and the Income Statement Debit column.
- T F 6. The purpose of adjustments is to correct account amounts that are incorrect.
- T F 7. The purpose of depreciating an asset is to spread out the cost of the asset over the its useful life.
- T F 8. The normal balance of Accumulated Depreciation, Equipment, is on the debit side.
- T F 9. If the total of the Income Statement Debit column is larger than the total of the Income Statement Credit column, the company must have a net loss.
- T F 10. The Drawing account is recorded on a work sheet in the Trial Balance Debit column, the Adjusted Trial Balance Debit column, and the Income Statement Debit column.

PART 2 Completion—Language of Business

Complete each of the following statements by writing the appropriate words in the spaces provided.

- 1. The cost of an asset less the accumulated depreciation is called the _____.
- 2. The time span that covers a company's accounting cycle is called its _____.
- 3. Since the plus and minus signs on Accumulated Depreciation, Equipment, are the opposite of the signs on Equipment, the Accumulated Depreciation, Equipment, account is called a(n) _____.

4. Internal transactions that re used to bring the ledger accounts up to date are called _____.
5. The amount of unpaid wages owed to employees for the time between the last pay-day and the end of the fiscal period is called _____.
6. The _____ represents the steps in the accounting process that are completed during the fiscal period.
7. The Prepaid Insurance and Supplies accounts are called _____ because their balances that appear in the Trial Balance column consist partly of income statement amounts and partly of balance sheet amounts.
8. The _____ requires that the expenses of one period must be related to the revenue of the same period.
9. The term representing loss in usefulness of assets is _____.

PART 3 **Adjusting Entries**

Record the adjusting entries directly in the T accounts, and label the other account.

1. Insurance expired, \$510.	Prepaid Insurance		
	Bal. 950		
2. Additional depreciation, \$2,500.	Accumulated Depreciation, Equipment		
		Bal. 7,500	
3. Accrued wages, \$470.	Wages Expense		
	Bal. 8,100		
4. Insurance expired, \$350.	Prepaid Insurance		
	Bal. 1,500		
5. Additional depreciation, \$1,480.	Accumulated Depreciation, Store Equipment		
		Bal. 8,350	

PART 4 Analyzing the Work Sheet

Carry the balances forward from the Trial Balance columns to the appropriate column. The first account is provided as an example.

Account Name	Trial Balance		Adjustments		Adj. Trial		Income Stmt.		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
0. Equipment	X				X				X	
1. Cash	X									
2. C. Tumi, Capital		X								
3. Advertising Expense	X									
4. Accounts Receivable	X									
5. Wages Expense	X									
6. Accumulated Depreciation, Equipment		X								
7. Wages Payable										
8. C. Tumi, Drawing	X									
9. Service Revenue		X								
10. Depreciation Expense, Equipment	X									