

# PRACTICE SET

# COMPLETING THE ACCOUNTING CYCLE

## I. CLOSING JOURNAL ENTRIES

Instructions: Student should make the Closing Entries, post to the General Ledger and complete the Post-Closing Trial Balance. Be sure to name the unlabeled T account.

Sept. 30 Income Summary	DR. 97	CR.	Sept. 30 Laundry Revenue	DR. 185	CR.
Advertising Expense		15	Income Summary		185
Salaries Expense		6			
Rent Expense		50	Sept. 30 Income Summary	88	
Telephone Expense		20	Capital		88
Ironing Supplies Expense		5			
Depreciation Expense, Ironing Equipment		1	Sept. 30 Capital, Linda Smith	30	
			Withdrawals, Linda Smith		30

## II. GENERAL LEDGER

<u>Cash</u> 105	<u>Accounts Payable</u> 15	<u>Capital, Linda Smith</u> 30	150
<u>Accounts Receivable</u> 20	<u>Salaries Payable</u> 6	88	238
<u>Prepaid Advertising</u> 45	<u>Unearned Ironing Revenue</u> 5	Bal. 208	30
<u>Ironing Supplies</u> 5	<u>Withdrawals, Linda Smith</u> 30	<u>Income Summary</u> 97	185
<u>Ironing Equipment</u> 60		88	
<u>Accumulated Depreciation</u> 1	<u>EXPENSES</u>		
	<u>Advertising</u> 15	<u>Telephone</u> 20	<u>Revenue</u> 185
	15	20	185
	<u>Salaries</u> 6	<u>Ironing Supplies</u> 5	
	6	5	
	<u>Rent</u> 50	<u>Depreciation</u> 1	
	50	1	

## III. POST-CLOSING TRIAL BALANCE

Speedy Ironing Service Post-Closing Trial Balance September 30, 1991	
Cash	\$105
Accounts Receivable	20
Prepaid Advertising	45
Ironing Supplies	5
Ironing Equipment	60
Accumulated Depreciation, Ironing Equipment	\$ 1
Accounts Payable	15
Salaries Payable	6
Unearned Ironing Revenue	5
Capital, Linda Smith	208
	<u>\$235</u>
	<u>\$235</u>

Instructions Part IV: Complete the Reversing Entry and pay Oct. 2nd payroll.  
 V: Make the Correcting Entry.  
 VI: Fill in the missing accounting steps.

#### IV. REVERSING ENTRIES

Paying Salaries - No Reversing Entry				Paying Salaries - Reversing Entry			
		DR.	CR.			DR.	CR.
Sept. 30	Salaries Expense	6		Sept. 30	Salaries Expense	6	
	Salaries Payable		6		Salaries Payable		6
Oct. 2	Salaries Expense	6		Oct. 1	Salaries Payable	6	
	Salaries Payable		6		Salaries Expense		6
	Cash		12	Oct. 2	Salaries Expense	12	
					Cash		12

#### V. CORRECTING ENTRIES

On Oct. 8 Linda discovered that a \$5 purchase of Ironing Supplies had been posted to the Ironing Equipment account.

Ironing Supplies	5	
Ironing Equipment		5

#### VI. THE THIRTEEN ACCOUNTING STEPS

1. Journal Entries	4. Adjusting Entries	7. Income Statement	9. Closing Entries	12. Reversing Entries
2. Post to Ledger	5. Post to Ledger	8. Balance Sheet	10. Post to Ledger	13. Closing Entries
3. Trial Balance	6. Adjusted Trial Balance		11. Post-Closing Trial Balance	

#### VII. OWNER'S EQUITY VS. STOCKHOLDERS' EQUITY

Instructions: Given the entries Linda Smith made as a sole proprietor, make the required entries for a corporation. Assume shares of Common Stock sold at Par for \$1 per share.

STARTING A BUSINESS					
	DR.	CR.		DR.	CR.
Cash	150		Cash	150	
Capital, Linda Smith		150	Common Stock		150
RECORDING EARNINGS					
Income Summary	88		Income Summary	88	
Capital, Linda Smith		88	Retained Earnings		88
DISTRIBUTING EARNINGS					
Withdrawal, Linda Smith	30		Retained Earnings	30	
Cash		30	Dividend Payable		30
Capital, Linda Smith	30		Dividend Payable	30	
Withdrawals, Linda Smith		30	Cash		30

#### EQUITY SECTION OF BALANCE SHEET

Owner's Equity			Stockholders' Equity		
Linda Smith Capital, September 1, 1992		\$150	Common Stock, \$1 par		
Net Income	\$ 88		150 shares		
Withdrawals	30	58	authorized and outstanding		\$150
Capital, September 30		<u>\$208</u>	Retained Earnings		58
			Total Stockholders' Equity		<u>\$208</u>