

PPRACTICE SET COMPLETING THE ACCOUNTING CYCLE

I. CLOSING JOURNAL ENTRIES

Instructions: 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 Ironing Revenue Income Summary Sept. 30 Sept. 30	DR.	CR.
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II. GENERAL LEDGER

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

III. POST-CLOSING TRIAL BALANCE

Speedy Ironing Service Post-Closing Trial Balance September 30, 1991	
Cash	
Accounts Receivable	
Prepaid Advertising	
Ironing Supplies	
Ironing Equipment	
Accumulated Depreciation, Ironing Equipment	
Accounts Payable	
Salaries Payable	
Unearned Ironing Services	
Capital, Linda Smith	
	<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. 20	Salaries Expense	6		Sept. 30	Salaries Expense	6	
	Salaries Payable		6		Salaries Payable		6
Oct. 2	Salaries Expense	6		Oct. 2			
	Salaries Payable	6					
	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.

VI. THE THIRTEEN ACCOUNTING STEPS

1. Journal Entries	4.	7. Income Statement	9.	12.
2.	5. Post to Ledger	8.	10.	13.
3.	6.		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.	
Cash	150		
Capital, Linda Smith		150	
RECORDING EARNINGS			
Income Summary	88		
Capital, Linda Smith		88	
DISTRIBUTING EARNINGS			
Withdrawals, Linda Smith	30		
Cash		30	
Capital, Linda Smith	30		
Withdrawals, Linda Smith		30	
EQUITY SECTION OF BALANCE SHEET			
	Owner's Equity		Stockholders' Equity
Linda Smith, Capital, September 1, 1992	\$150		
Net Income	\$ 88		
Withdrawals	<u>30</u>	<u>58</u>	
Capital, September 30	<u>\$208</u>		
			Total Stockholders' Equity
			<u>\$150</u>
			<u>58</u>
			<u>\$208</u>