**ACF 11 – Balance Day Adjustments SOLUTION**

**Class Exercises**

The Trial Balance **extract** of TILLY TRADERS on 30 June 2018 showed the following:

|  |  |  |
| --- | --- | --- |
| **General Ledger Account** | **Acc Type** | **Debit** |
| Prepaid Insurance |  | 3 600 |
| Office Supplies |  | 7 000 |
| Electricity |  | 2 550 |
| Prepaid rent |  | 48 000 |
| Wages |  | 96 000 |
| Telephone expenses |  | 2 200 |

**Additional Information:**

* On June 30, prepaid rent for the warehouse was $12 000.
* The total electricity usage for the year ending 30 June 2018 amounted to $2,800.
* The last pay day was 19th of June 2018. Accrued wages was $7 000 on balance day.
* Office Supplies on hand was valued at $900.
* The annual insurance premium was paid on 1 March 2018.
* A telephone bill of $200 arrived on 1 July which is due 20 June 2018.

**Required:**

1. Prepare the general journal entries to account for the above balance day adjustments.
2. Post only the above journal entries to the General Ledger.
3. Balance the General Ledger accounts and do the closing entries.
4. Prepare an extract of the Balance Sheet

**Workings:**

**Prepaid rent on trial balance– prepaid rent on balance day = rent expense:**

**= $48 000 – $12 000 = $36 000**

**Electricity expense at balance day amount – electricity expense in trial balance = electricity expense:**

**= $2 800 – $2 550 =$ 250**

**Office supplies on trial balance – office supplies at balance day = office supply expense**

**= $7 000 – $900 = $6 100**

**Prepaid annual insurance = $3 600**

**Monthly insurance = $3 600/12 = 300**

**March – June = 4 months**

**4 months x $300 =$ 1 200**

**TILLY TRADERS**

**GENERAL JOURNAL**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Details** | **Debit** | **Credit** |
| 30 June 18 | Rent expense | 36 000 |  |
|  | Prepaid rent |  | 36 000 |
|  | *Rent expense for the year* |  |  |
|  |  |  |  |
|  | Electricity | 250 |  |
|  | Acrrued electricity expenses |  | 250 |
|  | *Accrued electricity expense at balance day* |  |  |
|  |  |  |  |
|  | Wages | 7 000 |  |
|  | Accrued wages |  | 7 000 |
|  | *Accrued wages at balance day* |  |  |
|  |  |  |  |
|  | Office supplies expense | 6 100 |  |
|  | Office supplies |  | 6 100 |
|  | *Office supplies expenses for the year* |  |  |
|  |  |  |  |
|  | Insurance expense | 1 200 |  |
|  | Prepaid insurance |  | 1 200 |
|  | *Insurance expense for the year* |  |  |
|  |  |  |  |
|  | Telephone | 200 |  |
|  | Accrued telephone expense |  | 200 |
|  |  |  |  |
|  |  |  |  |

**TILLY TRADERS**

**GENERAL LEDGER**

**Rent expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Prepaid rent | 36 000 | 30/6/18 | Profit & Loss Summary | 36,000 |
|  |  |  |  |  |  |

**Prepaid rent**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Balance | 48 000 | 30/6/18 | Rent expense | 36 000 |
|  |  |  |  | Balance c/d | 12 000 |
|  |  | 48 000 |  |  | 48 000 |
| 1/7 | Balance b/d | 12 000 |  |  |  |
|  |  |  |  |  |  |

**Electricity expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Balance | 2 550 | 30/6/18 | Profit & Loss Summary | 2 800 |
|  | Accrued electricity exp | 250 |  |  |  |
|  |  | 2 800 |  |  | 2 800 |
|  |  |  |  |  |  |

**Accrued Electricity expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
|  |  |  | 30/6/18 | Electricity expense | 250 |
|  |  |  |  |  |  |

**Wages**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Balance | 96 000 | 30/6/18 | Profit & Loss Summary | 103 000 |
|  | Accrued wages | 7 000 |  |  |  |
|  |  | 103 000 |  |  | 103 000 |
|  |  |  |  |  |  |

**Accrued wages**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
|  |  |  | 30/6/18 | Wages | 7 000 |
|  |  |  |  |  |  |

**Office supplies expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Office supplies | 6 100 | 30/6/18 | Profit & Loss Summary | 6 100 |
|  |  | **6 100** |  |  | **6 100** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Office Supplies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | Dr | Date |  | Cr |
| 30/6/18 | Balance | 7 000 | 30/6/18 | Office expenses | 6 100 |
|  |  |  |  | Balance c/d | 900 |
|  |  | **7 000** |  |  | **7 000** |
|  | Balance b/d | 900 |  |  |  |

**Insurance expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 30/6/18 | Prepaid insurance | 1 200 | 30/6/18 | Profit & Loss Summary | 1 200 |
|  |  | **1 200** |  |  | **1 200** |
|  |  |  |  |  |  |

**Prepaid insurance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 30/6/18 | Balance | 3 600 | 30/6/18 | Insurance expense | 1 200 |
|  |  |  |  | Balance c/d | 2 400 |
|  |  | **3 600** |  |  | **3 600** |
|  | Balance b/d | 2 400 |  |  |  |

**Telephone**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 30/6/18 | Balance | 2 200 | 30/6/18 | Profit & Loss Summary | 2 400 |
|  | Accrued telephone | 200 |  |  |  |
|  |  | **2 400** |  |  | **2 400** |
|  |  |  |  |  |  |

**Accrued telephone expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
|  |  |  | 30/6/18 | Telephone expense | 200 |
|  |  |  |  |  |  |

**TILLY TRADERS**

**BALANCE SHEET (extract)**

**As at 30 June 2018**

**Current Assets**

Prepaid rent 12 000

Office supplies 900

Prepaid insurance 2 400

Total Current Assets **15 300**

**Current Liabilities**

Accrued electricity 250

Accrued telephone 200

Accrued wages 7 000

Total Current Liabilities **7 450**