**12th edition**

**E3-7** The ledger of Passehl Rental Agency on March 31 of the current year includes the selected accounts, shown below, before adjusting entries have been prepared.

**Debit Credit**

Prepaid Insurance $ 3,600

Supplies 2,800

Equipment 25,000

Accumulated

Depreciation—Equipment $ 8,400

Notes Payable 20,000

Unearned Rent Revenue 10,200

Rent Revenue 60,000

Interest Expense –0–

Salaries and Wages Expense 14,000

An analysis of the accounts shows the following.

1. The equipment depreciates $400 per month.
2. One-third of the unearned rent revenue was earned during the quarter.
3. Interest of $500 is accrued on the notes payable.
4. Supplies on hand total $750.
5. Insurance expires at the rate of $300 per month.

Instruction: Prepare the adjusting entries at March 31, assuming that adjusting entries are made

quarterly.

Solution: Passehl Rental Agency

Adjusting Entries

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Account Titles & Explanation | Ref. | Debit | Credit |
| March 31 | Depreciation Expense (400×3)  Accumulated Depreciation-Equipment  (To record depreciation expense for the quarter) |  | 1200 | 1200 |
| ,, 31 | Unearned rent revenue(10200÷3)  Rent revenue  To record unearned rent revenue has been earned) |  | 3400 | 3400 |
| ,, 31 | Interest expense  Interest payable  (To record accrued interest expense for the quarter) |  | 500 | 500 |
| ,, 31 | Supplies expense(2800-750)  Supplies  (To record supplies expense for the quarter) |  | 2050 | 2050 |
| ,, 31 | Insurance expense(300×3)  Prepaid insurance  (To record insurance expense for the quarter) |  | 900 | 900 |

12th edition

E3-9 The trial balance for Pioneer Advertising is shown at October 31, assume the following adjustment data.

PIONEER ADVERTISING

Trial Balance

October 31, 2017

Debit Credit

Cash $ 15,200

Supplies 2,500

Prepaid Insurance 600

Equipment 5,000

Notes Payable $ 5,000

Accounts Payable 2,500

Unearned Service Revenue 1,200

Owner’s Capital 10,000

Owner’s Drawings 500

Service Revenue 10,000

Salaries and Wages Expense 4,000

Rent Expense 900

$28,700 $28,700

1. Supplies on hand at October 31 total $500.

2. Expired insurance for the month is $120.

3. Depreciation for the month is $50.

4. Services related to unearned service revenue in October worth $600 were performed.

5. Services performed but not recorded at October 31 are $360.

6. Interest accrued at October 31 is $95.

7. Accrued salaries at October 31 are $1,625.

Instructions

Prepare the adjusting entries for the items above.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Account Titles & Explanation | Ref. | Debit | Credit |
| Oct. 31 | Supplies expense (2500-500)  Supplies  (To record supplies expense for the month) |  | 2000 | 2000 |
| ,, 31 | Insurance expense  Prepaid insurance  (To record insurance expense for the month) |  | 120 | 120 |
| ,, 31 | Depreciation expense  Accumulated depreciation-Equipment  (To record depreciation expense for the month) |  | 50 | 50 |
| ,, 31 | Unearned service revenue  Service revenue |  | 600 | 600 |
| ,, 31 | Accounts receivable  Service revenue  (To record accrued revenue for the month) |  | 360 | 360 |
| ,, 31 | Interest expense  Interest payable  (To record accrued interest expense for the month) |  | 95 | 95 |
| ,, 31 | Salaries & wages expense  Salaries & wages payable  (To record accrued salaries expense for the month) |  | 1625 | 1625 |