**Financial Accounting *Homework 3***

*Ren Kai 2401212437*

**P 4-5 A**

***Answer:***

The **adjusting entries** at December 31, 2012 is:

*Dr.* Insurance Expense $8,000 (9,600\*1/3+7200\*2/3)

*Cr.* Prepaid Insurance $8,000

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| **Prepaid Insurance** | |
| 12/31 Bal. $15,200 | 12/31 Adj. $8,000 |
| 12/31 Bal. **$ 7,200** |  |

*Dr.* Unearned Sales Revenue $3,500 (250\*6+300\*4+400\*2)

*Cr.* Sales Revenue $3,500

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| **Unearned Sales Revenue** | |
| 12/31 Adj. $3,500 | 12/31 Bal. $22,800 |
|  | 12/31 Bal. **$19,300** |

*Dr.* Interest Expense $700 (40000\*7%\*3/12)

*Cr.* Interest Payable $700

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| **Interest Payable** | |
|  | 12/31 Adj. $700 |
|  | 12/31 Bal. **$700** |

*Dr.* Salaries and Wages Expense $3,060 ((5\*600+3\*700)\*3/5)

*Cr.*  Salaries Payable $3,060

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| **Salaries Payable** | |
|  | 12/31 Adj. $3,060 |
|  | 12/31 Bal. **$3,060** |

**P 4-3 B**

***(a) Answer:***

We can journalize **the adjusting entries** on August 31 for the 3-month period June 1-August 31 like:

*Dr.* Insurance Expense $1,350 (450\*3)

*Cr.* Prepaid Insurance $1,350

*Dr.* Supplies Expense $3,600 (4300-700)

*Cr.* Supplies $3,600

*Dr.* Depreciation Expense $2,650 (6600\*3/12+4000\*3/12)

*Cr.* Accumulated Depreciation — Buildings $1,650

*Cr.* Accumulated Depreciation — Equipment $1,000

*Dr.* Unearned Rent Revenue $5,000

*Cr.* Rent Revenue $5,000

*Dr.* Salaries and Wages Expense $600

*Cr.* Salaries and Wages Payable $600

*Dr.* Accounts Receivable $1,600

*Cr.* Rent Revenue $1,600

*Dr.* Interest Expense $900 (120,000\*9%\*1/12)

*Cr.* Interest Payable $900

***(b) Answer:***

The prepared ledger using **T accounts** should be:

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| **Prepaid Insurance** | |
| 8/31 Bal. $5,400 | 8/31 Adj. $1,350 |
| 8/31 Bal. **$4,050** |  |

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| **Insurance Expense** | |
| 8/31 Adj. $1,350 |  |
| 8/31 Bal. **$1,350** |  |

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| **Supplies** | |
| 8/31 Bal. $4,300 | 8/31 Adj. $3,600 |
| 8/31 Bal. **$ 700** |  |

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| **Supplies Expense** | |
| 8/31 Adj. $3,600 |  |
| 8/31 Bal. **$3,600** |  |

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| **Accumulated Depreciation — Buildings** | |
|  | 8/31 Adj. $1,650 |
|  | 8/31 Bal. **$1,650** |

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| **Depreciation Expense** | |
| 8/31 Adj. $2,650 |  |
| 8/31 Bal. **$2,650** |  |

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| **Accumulated Depreciation — Equipment** | |
|  | 8/31 Adj. $1,000 |
|  | 8/31 Bal. **$1,000** |

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| **Unearned Rent Revenue** | |
| 8/31 Adj. $5,000 | 8/31 Bal. 6,800 |
|  | 8/31 Bal. **$1,800** |

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| **Accounts Receivable** | |
| 8/31 Adj.$1,600 |  |
| 8/31 Bal. **$1,600** |  |

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| **Rent Revenue** | |
|  | 8/31 Bal. $80,000  8/31 Adj. $ 5,000  8/31 Adj. $ 1,600 |
|  | 8/31 Bal. **$86,600** |

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| **Interest Expense** | |
| 8/31 Adj. $900 |  |
| 8/31 Bal. **$900** |  |

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| **Salaries and Wages Payable** | |
|  | 8/31 Adj. $600 |
|  | 8/31 Bal. **$600** |

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| **Salaries and Wages Expense** | |
| 8/31 Bal. $53,000  8/31 Adj. $. 600 |  |
| 8/31 Bal. **$53,600** |  |

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| **Interest Payable** | |
|  | 8/31 Adj. $900 |
|  | 8/31 Bal. **$900** |

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| **Land** | |
| 8/31 Bal. $40,000 |  |

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| **Cash** | |
| 8/31 Bal. $24,600 |  |

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| **Equipment** | |
| 8/31 Bal. $36,000 |  |

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| **Buildings** | |
| 8/31 Bal. $132,000 |  |

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| **Mortgage Payable** | |
|  | 8/31 Bal. $120,000 |

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| **Accounts Payable** | |
|  | 8/31 Bal. $6,500 |

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| **Dividends** | |
| 8/31 Bal. $5,000 |  |

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| **Common Stock** | |
|  | 8/31 Bal. $100,000 |

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| **Utilities Expense** | |
| 8/31 Bal. $9,400 |  |

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| **Maintenance and Repairs Expense** | |
| 8/31 Bal. $3,600 |  |

***(c) Answer:***

The **Adjusted Trail Balance** on August 31 should be:

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| **MAQUOKETA VALLEY RESORT**  **Adjusted Trail Balance**  **August 31, 2012** | | |
|  | Debit | Credit |
| Cash | $24,600 |  |
| Prepaid Insurance | 4,050 |  |
| Supplies | 700 |  |
| Land | 40,000 |  |
| Buildings | 132,000 |  |
| Equipment | 36,000 |  |
| Accounts Receivable | 1,600 |  |
| Accumulated Depreciation—Buildings |  | $ 1,650 |
| Accumulated Depreciation—Equipment |  | 1,000 |
| Accounts Payable |  | 6,500 |
| Unearned Rent Revenue |  | 1,800 |
| Mortgage Payable |  | 120,000 |
| Salaries and Wages Payable |  | 600 |
| Interest Payable |  | 900 |
| Common Stock |  | 100,000 |
| Dividends | 5,000 |  |
| Rent Revenue |  | 86,600 |
| Salaries and Wages Expense | 53,600 |  |
| Utilities Expense | 9,400 |  |
| Maintenance and Repairs Expense | 3,600 |  |
| Insurance Expense | 1,350 |  |
| Supplies Expense | 3,600 |  |
| Depreciation Expense | 2,650 |  |
| Interest Expense | 900 |  |
|  | $319,050 | $319,050 |

***(d) Answer:***

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| **MAQUOKETA VALLEY RESORT**  **Income Statement**  **For the 3 Month Ended August 31, 2012** | | | |
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| Revenues |  |  |  |
|  | Rent Revenue | $86,600 |  |
|  | Total Revenue |  | $86,600 |
| Expenses |  |  |  |
|  | Salaries and Wages Expense | 53,600 |  |
|  | Utilities Expense | 9,400 |  |
|  | Maintenance and Repairs Expense | 3,600 |  |
|  | Insurance Expense | 1,350 |  |
|  | Supplies Expense | 3,600 |  |
|  | Depreciation Expense | 2,650 |  |
|  | Interest Expense | 900 |  |
|  | Total Expenses |  | 75,100 |
| Net income |  |  | $11,500 |

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| **MAQUOKETA VALLEY RESORT**  **Retained Earnings Statement**  **For the 3 Month Ended August 31, 2012** | |
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| Retained Earnings, June 1 | $ 0 |
| Add: Net income | 11,500 |
|  | 11,500 |
| Less: Dividends | 5,000 |
| Retained Earnings, August 31 | 6,500 |

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| **MAQUOKETA VALLEY RESORT**  **Balance Sheet August 31, 2012**  **Assets** | | | |
| **Current assets** |  |  |  |
| Cash |  | $ 24,600 |  |
| Prepaid Insurance |  | 4,050 |  |
| Accounts Receivable |  | 1,600 |  |
| Supplies |  | 700 |  |
| Total Current assets |  |  | $ 30,950 |
| **Property, plant and equipment** |  |  |  |
| Land |  | 40,000 |  |
| Buildings | $132,000 |  |  |
| Less: Accumulated Depreciation—Buildings | 1,650 | 130,350 |  |
| Equipment | 36,000 |  |  |
| Less: Accumulated Depreciation—Equipment | 1,000 | 35,000 |  |
| Total Property, plant and equipment |  |  | 205,350 |
| **Total Assets** |  |  | **236,300** |
| **Liabilities and Stockholders’ Equity** | | | |
| **Current Liabilities** |  |  |  |
| Accounts Payable |  | $ 6,500 |  |
| Unearned Rent Revenue |  | 1,800 |  |
| Salaries and Wages Payable |  | 600 |  |
| Interest Payable |  | 900 |  |
| Total Current Liabilities |  |  | $ 9,800 |
| **Long-term Liabilities** |  |  |  |
| Mortgage Payable |  | 120,000 |  |
| Total Long-term Liabilities |  |  | 120,000 |
| Total liabilities |  |  | 129,800 |
| **Stockholders’ Equity** |  |  |  |
| Common Stock |  | 100,000 |  |
| Retained Earnings |  | 6,500 |  |
| Total Stockholders’ Equity |  |  | 106,500 |
| **Total Liabilities and Stockholders’ Equity** |  |  | **$236,300** |