

# **Financial Practice Set Solution**

## Trial Balances

### 12/31/X2

	Pre-Adjusted DR(CR)	Adjusted DR(CR)	Post Closing DR(CR)
Cash	21,808	21,808	21,808
Accounts Receivable	34,315	34,315	34,315
Inventory	25,000	25,000	25,000
Office Supplies	1,890	750	750
Prepaid Insurance	905	400	400
Prepaid Rent	4,800	4,400	4,400
Notes Receivable	0	0	0
Warehouse Equipment	37,394	37,394	37,394
Land	0	0	0
Accounts Payable	(22,250)	(22,250)	(22,250)
Salaries Payable	0	0	0
Income Tax Payable	0	(6,408)	(6,408)
Dividend Payable	0	0	0
Notes Payable	(22,000)	(22,000)	(22,000)
Unearned Rent Revenue	(700)	(280)	(280)
Utilities Payable	0	(400)	(400)
Interest Payable	0	(178)	(178)
Capital Stock	(42,500)	(42,500)	(42,500)
Retained Earnings	(11,502)	(11,502)	(30,051)
Dividends	675	675	0
Sales Revenue	(261,950)	(261,950)	0
Interest Revenue	(52)	(52)	0
Rent Revenue	0	(420)	0
Cost of Goods Sold	164,026	164,026	0
Salaries Expense	53,600	53,600	0
Office Supplies Expense	2,818	3,958	0
Rent Expense	4,400	4,800	0
Utilities Expense	6,450	6,850	0
Misc. Expense	1,952	1,952	0
Insurance Expense	600	1,105	0
Postage Expense	321	321	0
Interest Expense	0	178	0
Income Tax Expense	0	6,408	0
	0	0	0

**Hot Cars, Inc.**  
**Balance Sheet**  
**December 31, 20X1 and 20X2**

**ASSETS**

	<b><u>12/31/X1</u></b>	<b><u>12/31/X2</u></b>
<b>Current Assets:</b>		
Cash	\$12,665	\$21,808
Accounts Receivable	11,750	34,315
Inventory	11,432	25,000
Office Supplies	470	750
Prepaid Insurance	350	400
Prepaid Rent	4,400	4,400
Notes Receivable	750	0
	<u>41,817</u>	<u>86,673</u>
<b>Long-Term Assets:</b>		
Warehouse Equipment	14,700	37,394
<b>Total Assets</b>	<b><u>\$56,517</u></b>	<b><u>\$124,067</u></b>

**LIABILITIES & STOCKHOLDER'S EQUITY**

	<b><u>12/31/X1</u></b>	<b><u>12/31/X2</u></b>
<b>Current Liabilities:</b>		
Accounts Payable	\$13,511	\$22,250
Salaries Payable	4,125	0
Income Tax Payable	1,644	6,408
Dividend Payable	1,250	0
Unearned Rent Revenue	0	280
Utilities Payable	485	400
Interest Payable	0	178
Current Portion of Notes Payable	0	14,000
	<u>21,015</u>	<u>43,516</u>
<b>Long-Term Liabilities:</b>		
Notes Payable	0	8,000
<b>Total Liabilities</b>	<b><u>21,015</u></b>	<b><u>51,516</u></b>
<b>Stockholder's Equity:</b>		
Capital Stock (2,400 shares outstanding)	24,000	42,500
Retained Earnings	11,502	30,051
<b>Total Stockholder's Equity</b>	<b><u>35,502</u></b>	<b><u>72,551</u></b>
<b>Total Liabilities and             Stockholder's Equity</b>	<b><u>\$56,517</u></b>	<b><u>\$124,067</u></b>

**Hot Cars, Inc.**  
**Income Statement**  
for the years ended **December 31, 20X1 and 20X2**

	<u><b>20X1</b></u>	<u><b>20X2</b></u>
<b>Sales Revenue</b>	<b>\$185,043</b>	<b>\$261,950</b>
<b>Cost of Goods Sold</b>	<u><b>111,026</b></u>	<u><b>164,026</b></u>
<b>Gross Margin</b>	<b>74,017</b>	<b>97,924</b>
<b>Operating Expenses:</b>		
<b>Salaries Expense</b>	<b>49,500</b>	<b>53,600</b>
<b>Office Supplies Expense</b>	<b>3,893</b>	<b>3,958</b>
<b>Rent Expense</b>	<b>4,150</b>	<b>4,800</b>
<b>Utilities Expense</b>	<b>6,345</b>	<b>6,850</b>
<b>Misc. Expense</b>	<b>2,336</b>	<b>1,952</b>
<b>Insurance Expense</b>	<b>1,055</b>	<b>1,105</b>
<b>Postage Expenses</b>	<u><b>298</b></u>	<u><b>321</b></u>
<b>Operating Expenses</b>	<u><b>67,577</b></u>	<u><b>72,586</b></u>
<b>Operating Income</b>	<b>6,440</b>	<b>25,338</b>
<b>Other Revenues and Expenses</b>		
<b>Rental Revenue</b>	<b>0</b>	<b>420</b>
<b>Interest Revenue</b>	<u><b>135</b></u>	<u><b>52</b></u>
<b>Other Revenue</b>	<b>135</b>	<b>472</b>
<b>Less: Interest Expense</b>	<u><b>0</b></u>	<u><b>178</b></u>
<b>Other Revenue (Expenses)</b>	<u><b>135</b></u>	<u><b>294</b></u>
<b>Income Before Income Taxes</b>	<b>6,575</b>	<b>25,632</b>
<b>Less: Income Taxes</b>	<u><b>1,644</b></u>	<u><b>6,408</b></u>
<b>Net Income (Loss)</b>	<u><b>\$4,931</b></u>	<u><b>\$19,224</b></u>
<b>Earnings Per Share</b>	<u><u><b>\$2.05</b></u></u>	<u><u><b>\$4.52</b></u></u>

## General Ledger

Account No. 110 General Ledger Account CASH						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	13,068
12/31	December Cash Receipts	CR 1 ✓	34,770		DR	47,838
12/31	December Cash Disbursements	CD 1 ✓		26,030	DR	21,808

Account No. 120 General Ledger Account ACCOUNTS RECEIVABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	9,235
12/31	December Collections on A/R	CR 1 ✓		11,495	CR	(2,260)
12/31	December Sales on Account	SJ 1 ✓	36,575		DR	34,315

Account No. 130 General Ledger Account INVENTORY						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	18,000
12/31	December Inventory Purchases	PJ 1 ✓	30,750		DR	48,750
12/31	December Inventory Sales	SJ 1 ✓		23,750	DR	25,000

Account No. 140 General Ledger Account OFFICE SUPPLIES						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	1,250
12/15	Purchase Supplies	CD 1 ✓	640		DR	1,890
12/31	Adjusting Entry	GJ 1 ✓		1,140	DR	750

## General Ledger

Account No. 150 General Ledger Account PREPAID INSURANCE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	905
12/31	Adjusting Entry	GJ 1 ✓		505	DR	400

Account No. 160 General Ledger Account PREPAID RENT						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/2	Paid 1 year in advance 12/1/X2 -X3	CD 1 ✓	4,800		DR	4,800
12/31	Adjusting Entry	GJ 1 ✓		400	DR	4,400

Account No. 170 General Ledger Account NOTES RECEIVABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	750
12/1	Receipt of Note Payoff	CR 1 ✓		750		0

Account No. 180 General Ledger Account WAREHOUSE EQUIPMENT						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	22,394
12/11	Purchase of Equipment	CD 1 ✓	15,000		DR	37,394

## General Ledger

Account No. 190 General Ledger Account LAND						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0

Account No. 210 General Ledger Account ACCOUNTS PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				CR	3,790
12/31	December Purchases on Account	PJ 1 ✓		30,750	CR	34,540
12/31	December Payments on Account	CD 1 ✓	12,290		CR	22,250

Account No. 220 General Ledger Account SALARIES PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0

Account No. 230 General Ledger Account INCOME TAXES PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓		6,408	CR	6,408

## General Ledger

Account No. 240 General Ledger Account DIVIDENDS PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0

Account No. 250 General Ledger Account NOTES PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/7	Provo State Bank Loan	CR 1 ✓		10,000	CR	10,000
12/11	Smith's Equipment Note	CD 1 ✓		12,000	CR	22,000

Account No. 260 General Ledger Account UNEARNED RENT REVENUE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				CR	700
12/31	Adjusting Entry	GJ 1 ✓	420		CR	280

Account No. 270 General Ledger Account UTILITIES PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓		400	CR	400



## General Ledger

Account No. 280 General Ledger Account INTEREST PAYABLE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓		178	CR	178

Account No. 310 General Ledger Account CAPITAL STOCK						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance (3,000 shares)				CR	30,000
12/3	Issued 1,250 Shares to McGinn	CR 1 ✓		12,500	CR	42,500

Account No. 320 General Ledger Account RETAINED EARNINGS						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance from 1/1/X2				CR	11,502
12/31	Closing Entry (Net Income)	GJ 2 ✓		19,224	CR	30,726
12/31	Closing Entry (Dividends)	GJ 2 ✓	675		CR	30,051

Account No. 330 General Ledger Account DIVIDENDS						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	675
12/31	Closing Entry	GJ 2 ✓		675		0

## General Ledger

Account No. 410 General Ledger Account SALES REVENUES						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				CR	225,375
12/31	December Sales	SJ 1 ✓		36,575	CR	261,950
12/31	Closing Entry	GJ 2 ✓	261,950			0

Account No. 420 General Ledger Account INTEREST REVENUE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				CR	27
12/1	Interest Earned on Note	CR 1 ✓		25	CR	52
12/3	Closing Entry	GJ 2 ✓	52			0

Account No. 430 General Ledger Account RENT REVENUE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓		420	CR	420
12/31	Closing Entry	GJ 2 ✓	420			0

Account No. 505 General Ledger Account COST OF GOODS SOLD						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	140,276
12/31	December cost of goods sold	SJ 1 ✓	23,750		DR	164,026
12/31	Closing Entry	GJ 2 ✓		164,026		0

## General Ledger

Account No. 510 General Ledger Account SALARIES EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	49,000
12/31	December Salary - Jones	CD 1 ✓	3,000		DR	52,000
12/31	December Salary - Dodge	CD 1 ✓	1,600		DR	53,600
12/31	Closing Entry	GJ 2 ✓		53,600		0

Account No. 515 General Ledger Account OFFICE SUPPLIES EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	2,818
12/31	Adjusting Entry	GJ 1 ✓	1,140		DR	3,958
12/31	Closing Entry	GJ 2 ✓		3,958		0

Account No. 520 General Ledger Account RENT EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	4,400
12/31	Adjusting Entry	GJ 1 ✓	400		DR	4,800
12/31	Closing Entry	GJ 2 ✓		4,800		0

Account No. 525 General Ledger Account UTILITIES EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	5,750
12/25	Paid November Bill	CD 1 ✓	700		DR	6,450
12/31	Adjusting Entry	GJ 1 ✓	400		DR	6,850
12/31	Closing Entry	GJ 2 ✓		6,850		0

## General Ledger

Account No. 530 General Ledger Account MISCELLANEOUS EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	1,952
12/31	Closing Entry	GJ 2 ✓		1,952		0

Account No. 535 General Ledger Account INSURANCE EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	600
12/31	Adjusting Entry	GJ 1 ✓	505		DR	1,105
12/31	Closing Entry	GJ 2 ✓		1,105		0

Account No. 540 General Ledger Account POSTAGE EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance				DR	321
12/31	Closing Entry	GJ 2 ✓		321		0

Account No. 545 General Ledger Account INTEREST EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓	178		DR	178
12/31	Closing Entry	GJ 2 ✓		178		0

## General Ledger

Account No. 550 General Ledger Account INCOME TAX EXPENSE						
Date 20X2	Description	Post Ref.	Debit	Credit	Balance	
					DR/CR	Amount
11/30	Balance					0
12/31	Adjusting Entry	GJ 1 ✓	6,408		DR	6,408
12/31	Closing Entry	GJ 2 ✓		6,408		0

## Accounts Receivable Subsidiary Ledger

ACCT #120.1 - CUSTOMER #1						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						4,660
12/03	34567			CR 1 ✓	2,310	2,350
12/07	34570	SJ 1 ✓	3,000			5,350
12/09	34562			CR 1 ✓	2,350	3,000
12/13	34570			CR 1 ✓	3,000	0
12/23	34573	SJ 1 ✓	3,625			3,625

ACCT #120.2 - CUSTOMER #2						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						3,835
12/06	34568			CR 1 ✓	3,835	0
12/16	34572	SJ 1 ✓	12,950			12,950
12/27	34574	SJ 1 ✓	4,500			17,450

ACCT #120.3 - CUSTOMER #3						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						740
12/12	34571	SJ 1 ✓	12,500			13,240

## Accounts Payable Subsidiary Ledger

ACCT #210.1 - VENDOR #1						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						1,550
12/03	44657	CD 1 ✓	1,550			0
12/08	1446			PJ 1 ✓	8,500	8,500
12/13	1446	CD 1 ✓	8,500			0
12/29	45993			PJ 1 ✓	5,000	5,000

ACCT #210.2 - VENDOR #2						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						840
12/08	3717	CD 1 ✓	840			0
12/21	3981			PJ 1 ✓	4,000	4,000

ACCT #210.3 - VENDOR #3						
Date	Inv.#	Post Ref.	Debit	Post Ref.	Credit	Balance
Balance at 11/30/X2						1,400
12/09	76654 76744	CD 1 ✓	1,400			0
12/09	76855			PJ 1 ✓	1,250	1,250
12/31	77102			PJ 1 ✓	12,000	13,250

## Inventory Subsidiary Ledger

ACCT #130.1 - PART #F150												
Date	Inv.#	Debit				Credit				Balance		
		Post Ref.	# Units	\$ /Unit	Total	Post Ref.	# Units	\$ /Unit	Total	# Units	\$ /Unit	Total
11/30	Balance									700	\$ 10	7,000
12/08	1446	PJ 1 ✓	500	\$ 10	5,000					1,200	\$ 10	12,000
12/12	34571					SJ 1 ✓	750	\$ 10	7,500	450	\$ 10	4,500
12/27	34574					SJ 1 ✓	300	\$ 10	3,000	150	\$ 10	1,500
12/31	77102	PJ 1 ✓	1,200	\$ 10	12,000					1,350	\$ 10	13,500

ACCT #130.2 - PART #RX7												
Date	Inv.#	Debit				Credit				Balance		
		Post Ref.	# Units	\$ /Unit	Total	Post Ref.	# Units	\$ /Unit	Total	# Units	\$ /Unit	Total
11/30	Balance									1,500	\$ 5	7,500
12/07	34570					SJ 1 ✓	450	\$ 5	2,250	1,050	\$ 5	5,250
12/08	1446	PJ 1 ✓	400	\$ 5	2,000					1,450	\$ 5	7,250
12/16	34572					SJ 1 ✓	1,200	\$ 5	6,000	250	\$ 5	1,250
12/21	3981	PJ 1 ✓	800	\$ 5	4,000					1,050	\$ 5	5,250

ACCT #130.3 - PART #Z28												
Date	Inv.#	Debit				Credit				Balance		
		Post Ref.	# Units	\$ /Unit	Total	Post Ref.	# Units	\$ /Unit	Total	# Units	\$ /Unit	Total
11/30	Balance									700	\$ 5	3,500
12/08	1446	PJ 1 ✓	300	\$ 5	1,500					1,000	\$ 5	5,000
12/09	76855	PJ 1 ✓	250	\$ 5	1,250					1,250	\$ 5	6,250
12/16	34572					SJ 1 ✓	500	\$ 5	2,500	750	\$ 5	3,750
12/23	34573					SJ 1 ✓	500	\$ 5	2,500	250	\$ 5	1,250
12/29	45993	PJ 1 ✓	1,000	\$ 5	5,000					1,250	\$ 5	6,250



**HCI**  
**Cash Receipts Journal**

**(CR 1)**

Date	Payor Name	Cash (DR)	Accounts Receivable		Other Accounts		
			Post Ref.	Amount (CR)	Post Ref.	Acct. Name	Amount
12/01	David Jones	775			170 ✓	Notes Receivable	750
					420 ✓	Interest Revenue	25
12/03	Eric McGinn	12,500			310 ✓	Capital Stock	12,500
12/03	Customer #1	2,310	120.1 ✓	2,310			
12/06	Customer #2	3,835	120.2 ✓	3,835			
12/07	Provo State Bank	10,000			250 ✓	Notes Payable	10,000
12/09	Customer #1	2,350	120.1 ✓	2,350			
12/13	Customer #1	3,000	120.1 ✓	3,000			
	<b>Totals</b>	<u><b>34,770</b></u>		<u><b>11,495</b></u>			
		A/C 110 ✓		A/C 120 ✓			

**HCI**  
**Sales Journal**

(SJ 1)

Date	Customer Name	Inv. #	Accounts Receivable		Sales Revenue (CR)	Cost of Goods sold (DR)/ Inventory (CR)				
			Post Ref.	Amount (DR)		Post Ref.	Item	# Units	Cost/ Unit	Total
12/07	Customer #1	34570	120.1 ✓	3,000	3,000	130.2 ✓	RX7	450	5	2,250
12/12	Customer #3	34571	120.3 ✓	12,500	12,500	130.1 ✓	F150	750	10	7,500
12/16	Customer #2	34572	120.2 ✓	12,950	12,950	130.2 ✓	RX7	1,200	5	6,000
						130.3 ✓	Z28	500	5	2,500
12/23	Customer #1	34573	120.1 ✓	3,625	3,625	130.3 ✓	Z28	500	5	2,500
12/27	Customer #2	34574	120.2 ✓	4,500	4,500	130.1 ✓	F150	300	10	3,000
			Totals	<u>36,575</u>	<u>36,575</u>				Total	<u>23,750</u>
			A/C	120 ✓	410 ✓				A/C's	130 ✓
										505 ✓

**HCI**  
**Purchases Journal**  
**(Inventory Purchases Only)**

**(PJ 1)**

Date	Vendor Name	Inv. #	Inventory (DR)					Accounts Payable	
			Post Ref.	Item	# Units	\$ Per Unit	Total	Post Ref.	Amounts (CR)
12/08	Vendor #1	1446	130.2 ✓	RX7	400	5	2,000	210.1 ✓	8,500
			130.3 ✓	Z28	300	5	1,500		
			130.1 ✓	F150	500	10	5,000		
12/09	Vendor #3	76855	130.3 ✓	Z28	250	5	1,250	210.3 ✓	1,250
12/21	Vendor #2	3981	130.2 ✓	RX7	800	5	4,000	210.2 ✓	4,000
12/29	Vendor #1	45993	130.3 ✓	Z28	1,000	5	5,000	210.1 ✓	5,000
12/31	Vendor #3	77102	130.1 ✓	F150	1,200	10	12,000	210.3 ✓	12,000
						Totals	<u>30,750</u>		<u>30,750</u>
						A/C	130 ✓	A/C	210 ✓

**HCI**  
**Cash Disbursements Journal**

(CD 1)

Other Accounts (CR)			Cash (CR)	Date 20X2	Check No.	Payee Name	Post Ref.	Accounts Payable (DR)	Other Accounts (DR)		
Post Ref.	Account	Amount							Post Ref.	Account	Amount
			4,800	12/02	2401	Capital Property Mgmt.			160 ✓	Prepaid Rent	4,800
			1,550	12/03	2402	Vendor #1	210.1 ✓	1,550			
			840	12/08	2403	Vendor #2	210.2 ✓	840			
			1,400	12/09	2404	Vendor #3	210.3 ✓	1,400			
250 ✓	Notes Payable	12,000	3,000	12/11	2405	Smith's Equipment			180 ✓	Warehouse Equipment	15,000
			8,500	12/13	2406	Vendor #1	210.1 ✓	8,500			
			640	12/15	2407	Supply Depot			140 ✓	Office Supplies	640
			700	12/25	2408	Provo Power			525 ✓	Utilities Expense	700
			3,000	12/31	2409	David Jones			510 ✓	Salary Expense	3,000
			1,600	12/31	2410	Harvey Dodge			510 ✓	Salary Expense	1,600
		<b>Total</b>	<b>26,030</b>				<b>Total</b>	<b>12,290</b>			
		<b>A/C</b>	<b>110 ✓</b>				<b>A/C</b>	<b>210 ✓</b>			

**General Journal**  
(Adjusting and Closing Entries) (GJ 1)

Date	Accounts/Description	Post Ref.	Debit	Credit
12/31/X2*	Insurance Expense	535 ✓	505	
	Prepaid Insurance	150 ✓		505
	(Adjust Prepaid Insurance)			
12/31/X2	Office Supplies Expense	515 ✓	1,140	
	Office Supplies	140 ✓		1,140
	(Adjust for Office Supplies Used)			
12/31/X2	Interest Expense	545 ✓	178	
	Interest Payable	280 ✓		178
	(Adjust for Interest Payable)			
12/31/X2	Unearned Rent Revenue	260 ✓	420	
	Rent Revenue	430 ✓		420
	(Adjust for Rent Earned)			
12/31/X2	Rent Expense	520 ✓	400	
	Prepaid Rent	160 ✓		400
	(Adjust for Prepaid Rent)			
12/31/X2	Utilities Expense	525 ✓	400	
	Utilities Payable	270 ✓		400
	(Adjust for Utilities Payable)			
12/31/X2	Income Tax Expense	550 ✓	6,408	
	Income Tax Payable	230 ✓		6,408
	(Adjust for 20X2 Taxes Payable)			
	Closing Entries on Next Page			

**General Journal**  
**(Adjusting and Closing Entries)** **(GJ 2)**

<b>Date</b>	<b>Accounts/Description</b>	<b>Post Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>12/31/X2</b>	<b>Closing Entries:</b>			
	<b>Sales Revenues</b>	<b>410 ✓</b>	<b>261,950</b>	
	<b>Interest Revenue</b>	<b>420 ✓</b>	<b>52</b>	
	<b>Rent Revenue</b>	<b>430 ✓</b>	<b>420</b>	
	<b>Cost of Goods Sold</b>	<b>505 ✓</b>		<b>164,026</b>
	<b>Salaries Expense</b>	<b>510 ✓</b>		<b>53,600</b>
	<b>Office Supplies Expense</b>	<b>515 ✓</b>		<b>3,958</b>
	<b>Rent Expense</b>	<b>520 ✓</b>		<b>4,800</b>
	<b>Utilities Expense</b>	<b>525 ✓</b>		<b>6,850</b>
	<b>Misc. Expense</b>	<b>530 ✓</b>		<b>1,952</b>
	<b>Insurance Expense</b>	<b>535 ✓</b>		<b>1,105</b>
	<b>Postage Expense</b>	<b>540 ✓</b>		<b>321</b>
	<b>Interest Expense</b>	<b>545 ✓</b>		<b>178</b>
	<b>Income Tax Expense</b>	<b>550 ✓</b>		<b>6,408</b>
	<b>Retained Earnings</b>	<b>320 ✓</b>		<b>19,224</b>
	<b>Retained Earnings</b>	<b>320 ✓</b>	<b>675</b>	
	<b>Dividends</b>	<b>330 ✓</b>		<b>675</b>