

1. Make adjusting entries in the journal (rounding to the nearest dollar) using the information below:
  - A physical count of inventory revealed \$440,020.00 of inventory
  - A physical count of supplies revealed \$7232.00 of supplies
  - Depreciation for the year was \$24,005
  - The balance in prepaid rent represents an amount paid Dec. 1st for one year
  - Even though the notes **receivable** aren't due until April 30 2021 they will include 8% interest.
  - Dec. 31st is a Thursday and \$11,000 of salaries for a five day workweek are paid every Friday.
2. On the designated pages, make an Adjusted Trial Balance and then Create Financial Statements for 20:
3. Answer these questions:
  - a. How would the financial statements be different if (each of these scenerios are independent):
    - We had missed counting incoming inventory of \$1,700
    - We had forgotten to record depreciation
    - We had forgotten to count supplies
    - The bookkeeper had thought the \$40,000 we received 12-1 was for past services instead of se
    - The bookkeeper wasn't aware that the note **payable** includes 8% interest to be paid at maturit
    - (record the amount the assets, liabilities, and equity would change and indicate th
    - so that a poitive number would indicate it is too high by that amount and a negativ
  - b. How would the financial statements be different if all of these scenerios happened in 2020?

Hints:

Use features of Excel to make your work easier

31-Dec  
1-Nov  
-60

The Dec. 31 balance represents a 6 month note originating on Nov. 1st 2020.

20 (note: withdrawals of \$50,000 were taken earlier in the year.)

assets	liabilities	equity
-	NC	-
+	NC	+
-	NC	-
NC	-	+
NC	+	-

ve number indicates it is too low by that amount.)

-	NC	-
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**Mom & Pop**  
**Balance Sheet**  
**1/1/2020**

**Current assets**

Cash		\$44,559.00
Accounts receivable		\$4,690.00
Office Supplies		\$4,258.00
Inventory		\$459,871.00
Pre-paid rent		\$2,000.00
Notes Rec		\$88,331.00

**Fixed assets**

Building	\$252,845.00	
Furniture	\$5,000.00	
Equipment	\$56,000.00	
Land	\$42,000.00	
Less Total Accum. Depr	-\$157,000.00	\$198,845.00

**Total assets** **\$802,554.00**

**Current liabilities**

Salaries Payable	\$3,000.00
Accounts payable	\$88,437.00

**Long term liabilities**

Notes Payable	\$456,286.00
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**Total Liabilities** **\$547,723.00**

**Owner's Equity** **\$254,831.00**

**Total Liabilities and Equity** **\$802,554.00**

**Mom & Pop**  
**UNADJUSTED TRIAL BALANCE**  
**12/31/20**

	DR	CR
Cash	\$6,255.00	
Accounts receivable	\$1,258.00	
Office Supplies	\$11,487.00	
Inventory	\$441,742.00	
Pre-paid rent	\$4,000.00	
Building	\$252,845.00	
Accumulated Depreciation		\$157,000.00
Furniture	\$9,000.00	
Equipment	\$62,000.00	
Notes Rec	\$81,612.00	
Land	\$42,000.00	
Salaries Payable		\$5,000.00
Accounts payable		\$83,125.00
Notes Payable		\$440,035.00
Owner's Equity		\$204,831.00
Sales Revenue		\$163,208.00
COGS	\$81,000.00	
Salaries Expense	\$42,000.00	
Rent Expense	\$18,000.00	
	\$1,053,199.00	\$1,053,199.00

<b>Date</b>	<b>Accounts</b>	<b>Debits</b>	<b>Credits</b>
12/31/2020	COGS	\$ 1,722.00	
	Inventory		\$ 1,722.00
12/31/2020	Supplies Expense	\$ 4,255.00	
	Supplies		\$ 4,255.00
12/31/2020	Depreciation Expense	\$24,005.00	
	Accumliated Depreciation		\$24,005.00
12/31/2020	Rent Expense	\$ 4,000.00	
	Prepaid Rent		\$ 4,000.00
12/31/2020	Interest Receivable	\$ 1,088.16	
	Interest Revenue		\$ 1,088.16
12/31/2020	Salaries Expense	\$ 8,800.00	
	Salaries Payable		\$ 8,800.00

**Mom & Pop**  
**ADJUSTED TRIAL BALANCE**  
**12/31/20**

	DR	CR
Cash	\$6,255.00	
Accounts receivable	\$1,258.00	
Office Supplies	\$7,232.00	
Inventory	\$440,020.00	
Building	\$252,845.00	
Accumulated Depreciation		\$181,005.00
Furniture	\$9,000.00	
Equipment	\$62,000.00	
Notes Rec	\$81,612.00	
Land	\$42,000.00	
Interest Receivable	\$1,088.16	
Salaries Payable		\$13,800.00
Accounts payable		\$83,125.00
Notes Payable		\$440,035.00
Owner's Equity		\$204,831.00
Sales Revenue		\$163,208.00
Interest Revenue		\$1,088.16
COGS	\$82,722.00	
Salaries Expense	\$50,800.00	
Rent Expense	\$22,000.00	
Supplies Expense	\$4,255.00	
Depreciation Expense	\$24,005.00	
	\$1,087,092.16	\$1,087,092.16

**Mom & Pop**  
**Income Statement**  
**12/31/2020**

Sales Revenue		\$ 163,208.00
COGS		<u>\$ 82,722.00</u>
<b>Gross Profit</b>		\$ 80,486.00
<b>Operating Expenses</b>		
Salaries Expense	\$ 50,800.00	
Rent Expense	\$ 22,000.00	
Supplies Expense	\$ 4,255.00	
Depreciation Expense	\$ 24,005.00	
<b>Total Operating Expenses</b>		<u>\$ (101,060.00)</u>
<b>Operating Income</b>		\$ (20,574.00)
<b>Non-Operating Income &amp; Expenses</b>		
Interest Revenue		<u>\$ 1,088.16</u>
<b>Net Income</b>		<u><u>\$ (19,485.84)</u></u>

**Mom & Pop**  
**Statement of Owners Equity**  
**12/31/2020**

Mom & Pop, Capital January 1		\$ 254,831.00
Plus: Net Income (Net loss)	<u>\$ (19,485.84)</u>	\$ 235,345.16
Less: Withdrawals by owner		<u>\$ 50,000.00</u>
Mom & Pop, Capital December 31		<u><u>\$ 185,345.16</u></u>



**Mom & Pop**  
**Balance Sheet**  
**12/31/2020**

**Current assets**

Cash		\$6,255.00
Accounts receivable		\$1,258.00
Interest receivable		\$1,088.16
Office Supplies		\$7,232.00
Inventory		\$440,020.00

Notes Rec		\$81,612.00
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**Fixed assets**

Building	\$252,845.00	
Furniture	\$9,000.00	
Equipment	\$62,000.00	
Land	\$42,000.00	
Less Total Accum. Depr	-\$181,005.00	\$184,840.00

<b>Total assets</b>		<b><u>\$722,305.16</u></b>
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**Current liabilities**

Salaries Payable		\$13,800.00
Accounts payable		\$83,125.00

**Long term liabilities**

Notes Payable		\$440,035.00
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<b>Total Liabilities</b>		<b>\$536,960.00</b>
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<b>Owner's Equity</b>		<b>\$185,345.16</b>
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<b>Total Liabilities and Equity</b>		<b><u>\$722,305.16</u></b>
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