**QUIZ**

On December 31, 2016, Fashion Nugget Company prepared an income statement and balance sheet and failed to take into account three adjusting entries. The incorrect income statement showed net income of $35,000. The balance sheet showed total assets, $115,000; total liabilities, $45,000; and owner’s equity, $70,000.

The data for the three adjusting entries were:

(1) Depreciation of $10,000 was not recorded on equipment.

(2) Wages amounting to $7,000 for the last two days in December were not paid and not recorded. The next payroll will be in January.

(3) Rent of $12,000 was paid for two months in advance on December 1. The entire amount was debited to Rent Expense when paid.

**Instructions**

**Complete the following tabulation to correct the financial statement amounts shown (indicate deductions with parentheses):**

Item Net Income Total Assets Total Liabilities Owner’s Equity

Incorrect balances $35,000 $115,000 $ 45,000 $ 70,000

Effects of:

Depreciation (10000) (10000) (10000)

Wages (7000) 7000 (7000)

Rent 6000 6000

Correct Balances 24,000 111,000 52,000 59,000