



**NATIONAL UNIVERSITY**  
Of Computer & Emerging Sciences

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Section	<u>3A</u>
Assignment	<u>2</u>



# Question no 01

## General Journal (Adjusting Entries)

Date	Transactions → Entries	Debit	Credit
	① Account Receivable Lesson Revenue Earned To record accrued but uncollected revenue.	\$3,200	\$3,200
	② Unearned Lesson Revenue Lesson Revenue Earned To convert previously unearned revenue to earned revenue	800	800
	③ Insurance Expense Unexpired insurance [sol. in next pg.] To record December insurance expense.	400	400
	④ Rent Expense Prepaid Expense [sol. in next pg.] To record Dec. insurance expenses.	1,500	1,500
	⑤ Sheet Music Supplies Expense Sheet Music Expense Supplies To record offices supplies used in December. [sol. in next pg.]	250	250
	⑥ Depreciation Expense → Music Equipment Accumulated Depreciation → Music Equipment To record December depreciation expense. [sol. in next pg.]	3,000	3,000
	⑦ Interest Expense Interest payable To record interest accrued in December. [sol. in next pg.]	25	25
	⑧ Salaries Expense Salaries payable To record accrued salaries expense in December	3,500	3,500
	⑨ Income Taxes Expenses Income Taxes Payable To record income taxes accrued in December	8,155	8,155



Transaction 3:-

$$\begin{aligned}\text{Insurance Expense} &= \text{cost} \div \text{policy expired} \\ &= \$4,800 \div 12 \text{ months} \\ &= 400\end{aligned}$$

Transaction 4:-

$$\begin{aligned}\text{March 31}^{\text{st}} \text{ to October 1}^{\text{st}} &= 6 \text{ months} \\ &= \$9000 \div 6 \text{ months} \\ &= 1500\end{aligned}$$

Transaction 5:-

As we see amount of sheet music supplies, is 450.  
and due is 200.

$$\begin{aligned}&= 450 - 200 \\ &= 250\end{aligned}$$

Transaction 6:-

$$\begin{aligned}\text{Depreciation Expense} &= \text{cost} \div \text{useful life} \\ &= \$180,000 \div 60 \text{ months} \\ &= 3,000\end{aligned}$$

Transaction 7:-

$$\begin{aligned}\text{Interest rate} &= \text{Principal} \times \text{rate} \times \text{time} \\ &= \$5,000 \times 6\% \times \frac{1}{12} \\ &= 25\end{aligned}$$

# part a) => ledger Accounts:

A/c receivable	
Dec 31	2100
	2100

Insurance Expense	
Dec 31	3200
	400
Bal:	2700

Depreciation Expense	
Dec 31	33000
Dec 31	3000
Bal:	36000

Salaries Expense	
Dec 31	27500
Dec 31	3500
Bal:	31000

Income tax payable	
31 Dec	3400
	8150
Bal:	11550

Lesson Revenue Earned	
31 Dec	154375
	3200
	800
Bal:	158375

sheet manufacturing	
	780
	250
Bal:	1030

Salaries payable	
Dec 31	3500
Bal:	3500

Income tax Expense	
Dec 31	1845
	8155
Bal:	22000

Interest payable	
Dec 31	025
Dec 31	25
Bal:	50



Prepaid Rent	
Dec 31	6000
31	
	1500
Bal:	4500

Capital Stock	
31 Dec	20000
Bal:	20000

Sheet Music exp.	
31	950
	250
Bal:	200

A/c payable	
31	3500
Bal:	3500

Music equip.	
31	1800000
Bal:	1800000

Divident revenue	
31 Dec	1000
Bal	1000

Utility exp	
31	5000
Bal:	5000

Unearned	
31 Dec	800
Bal	800

Notes payable	
31	5000
Bal:	5000

Cash	
31 Dec	15800
Bal	800

Accumulated dep	
	780000
	3000
Bal:	75000

Insurance pay	
31 Dec	3400
	8155
Bal	11555

Retained earning	
31	50000
Bal:	50000

b)

## Marvaleens Music

Adjusted Trial Balance

Dec. 31, 2011

Title of Account

Debit

Credit

• less on revenue earned		158,375
• Acc receivable	5300	
• Unearned lesson revenue		300
• Insurance expense	4800	
• Rent expense	18000	
• Unexpired insurance	2200	
• Prepaid rent	4500	
• sheet music supplies expenses	1030 200	
• Sheet music supplies	36000	
• Depreciation expense		75000
• Accumulated depreciation		
• Interest expense	50	
• Interest payable		50
• Salaries payable		3500
• Salaries expense	3500	
• Income tax expense	22000	
• Income tax payable		11555
• Cash	15800	
• music equipment	180000	
• Capital stock		20000



Utilities expense	5000	
Advertising expense	7400	
Retained earnings		58600
Note payable		5000
Dividends	1000	
Dividends payable		1000
Accounts payable		5300
Total	33480	33480

(C)

# Statement of Financial Position

Manvellous Music

Dec 31, 2011

## Assets

Cash	15000
Accounts	53000
Sheet music	200
Unexpired insurance	2000
Prepaid rent	4500
Music equipment	105000
Total	133600

## Liabilities + O.E

### Liabilities

A/c payable	3500
Notes payable	5000
Dividends payable	1000
Interest payable	50
Income tax pay	11,555
Salaries payable	3500
Unearned lessons	300
Total liabilities:	<u>124900</u>

### Owners equity:

Capital stock	20000
Retained earnings	88695
Total O.E	108695
Total	<u>133600</u>



d)  
Types of adjusting Entries:

In the last page of assignment.

I apologize for that.



# Question no 02

## g) Adjusting Entries

### Florida Palm Country Club

Date	Transaction → Entries	Debit	Credit
Dec. 31	<p>Salaries Expense                      Salaries payable                      To record accrued salaries at December 31.</p> <p>①</p>	9,600	9,600
31	<p>Account Receivable                      Green fee revenue                      To record green fees owed by Tampa Univ. golf team</p> <p>②</p>	1,800	1,800
31	<p>Unearned Membership dues                      Membership Dues Earned                      To record the portion of annual membership dues Earned in December</p> <p>③</p>	106,000	106,000
31	<p>Depreciation Expense → Carts                      Accumulated Depreciation → Carts                      To record December depreciation expense (solution in next pg.)</p> <p>④</p>	12,000	12,000
31	<p>Interest Expense                      Interest payable                      To record accrued interest expense in December</p> <p>⑤</p>	300	300
31	<p>Insurance Expense                      Unexpired Insurance (sol. in <sup>next</sup> p.g.)                      To record December insurance expense</p> <p>⑥</p>	6,500	6,500
31	<p>No adjusting entry. Revenue is recognized when it is earned. Entering into a contract does not constitute the earning of revenue.</p> <p>⑦</p>		
31	<p>Income taxes Expenses                      Income taxes payable                      To record income taxes accrued in December.</p> <p>⑧</p>	19,000	19,000



### Transaction 4:

$$\begin{aligned}\text{Depreciation Expense} &= \text{cost} \div \text{Useful life} \\ &= \$180,000 \div 12 \\ &= \$12,000\end{aligned}$$

### Transaction 5:

$$\begin{aligned}\text{Interest rate} &= \text{Principal} \times \text{Interest rate} \times \text{Time} \\ &= P \times r \times t \\ &= \$4,500 \times 8\% \times \frac{1}{12} \\ &= \$300\end{aligned}$$

### Transaction 6:

$$\begin{aligned}\text{Insurance Expense} &= \text{cost} \times \text{no. of months lapsed} / \text{Policy Expired} \\ &= \$7,800 \times \frac{10}{12} \\ &= \$6,500\end{aligned}$$

### Types of adjusting entries: (b)

- 1) Accruing unpaid expense
- 2) Accruing uncollected revenue
- 3) Converting liabilities to revenue
- 4) Converting assets to expenses
- 5) Accruing unpaid expenses
- 6) Converting assets to expenses
- 7) No adjusting entry required.
- 8) Accruing unpaid expense.

(C)

We say that an asset is fully depreciated when their carrying value in the company's accounting record is already zero or equal to the salvage value of the asset. Some assets are still used by the company in their operations even if its fully depreciated since it still functions according to its use and is still in good shape. It's just that it is fully depreciated due to the wrong estimate of the useful life of the asset or it undergone impairment. Impairment happens when the current market value of the asset is lower than its carrying value.

