**Unit 4: The Worksheet, Adjusting, and Closing Entries**

**Activity 2: Adjusting Entries**

**SKIP OVER ANY INFORMATION THAT IS NOT PRESENTED IN A QUESTION.**

1. What are adjustments?
2. Why are adjustments made?
3. What are the seven steps to the accounting cycle?
4. Why are adjustments a concern?
5. What are the three general types of adjustments?

\*\*in this class, we will ONLY be concentrating specifically on : Late arriving invoices, prepaid expenses, supplies and depreciation

1. What is the journal entry for:
2. **LATE INVOICES**

We will begin by looking at the concept of the late invoice.

On January 10th, of **this year**, we received a purchase invoice from J. Simmons Inc. for repair services that were done on December 29th of **last year**.

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1. What are accruals?

##### 2. PREPAID EXPENSES:

In some cases it makes sense for a company to pay in advance for routine expenses it has every month. This can save time and money. Examples include Rent and Insurance.

**Example:** A company that pays rent of $1,000 a month pays for its rent for a full year in advance on January 1st of this year.

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However, on January 31st, one month’s worth of rent has been used up (i.e. one month’s worth of rent expense has accrued).

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| multimedia | | | If this company were preparing adjustments at the end of January, the entry to adjust prepaid rent would look like [this](http://download.elearningontario.oise.utoronto.ca/repository/1092460000/BAF3MPU04/BAF3MPU04A02/mme/BAF3MPU0402journal03.swf). ($1,000 of rent is what the company pays each month) | | | | | | | |
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1. **Note:** with every expense a company prepays, how any corresponding accounts will there be?
2. Define the following:
   1. The prepaid expense account.
   2. The expense account
3. Where does the expense account usually appear on the balance sheet?

**3. ALLOCATIONS: b. Supplies**

11. When is a count is made of the value of supplies remaining in the supplies account?

For example, an organization started this year with $1,500 of supplies. They purchased $800 and $700 of supplies at two points during the year. By the end of the year, the supplies account shows a balance of $3,000.



A count was made of the supply storeroom and found that only $1,200 remained.

1. What is the journal entry to record the adjustment?

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1. Exercise: Supplies on January 1st were $2,900. Purchases were made in March, June, and October for $1,000 each month. An inventory count on December 31st reveals that only $1,900 of supplies remain in the storeroom. Make the adjusting entry for December 31st.

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1. What is amortization (also called depreciation)?
2. What GAAP does accounting for amortization follow?
3. What is the journal entry for amortization?
4. The expense account is where \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. The accumulated amortization account is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. The journal entry will look like:

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1. What is the NOTE about amortization and the original asset account?