Chapter 6 Notes Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Completing a Work Sheet for a Service Business**

* *Accounting Concept #1:* **Consistent Reporting** –
  + Why is this important?
    - Information can be compared \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
    - Information can be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in a meaningful way.
* **Accounting Period** –
  + Typically \_\_\_\_\_\_ year(s)
  + Usually starts at a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Our examples will use \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ periods.
* *Accounting Concept #2:* **Accounting Period Cycle** –
  + Why is this important?
    - Information can be compared \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* **Work Sheet** –
  + A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounting record.
  + Written in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + Four reasons for completing a work sheet:
    - Summarize general ledger \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and to prove the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of debits and credits. (and find \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
    - To \_\_\_\_\_\_\_\_\_\_\_\_\_\_ needed changes to general ledger accounts to bring account balances \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
    - To separate general ledger account balances according to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to be prepared.
    - To calculate the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for a fiscal period.
  + **Heading** –
  + **Trial Balance** –

*• BREAK – CHAPTER 6 PRACTICE PROBLEM (#1-2) •*

*Accounting Concept #3:* **Matching Expenses with Revenue** –

* + AKA: Record the value of expenses used this month in this month’s paperwork.
* **Adjustments** –
  + Common accounts to be adjusted:
    - Supplies
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*• BREAK – CHAPTER 6 PRACTICE PROBLEM (#3-4) •*

* Extending Account Balances
  + **Balance Sheet** –
  + **Income Statement** –
* Calculating a Net Income/Loss
  + **Net Income** –
  + **Net Loss** –

*• BREAK – CHAPTER 6 PRACTICE PROBLEM (#5-8) •*

**Finding Mistakes**

* Errors found on a work sheet must be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ before further work is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_!
  + Errors in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ records should be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and corrected.
  + Errors in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ records should be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and corrected.
* When two column totals do not balance….
  + Subtract the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ total from the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ total.
  + Check the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ between the two amounts.
  + If the difference….
    - is 1 ($0.01, $0.10, $1.00,…)
      * The error is in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the columns again.
    - can be divided evenly by \_\_\_\_\_\_\_\_\_
      * Divide by \_\_\_\_\_\_\_\_\_\_\_, look for that answer in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ columns.
      * If found, make sure the amount is in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ column.
      * If not found, check \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, too.
    - can be divided evenly by \_\_\_\_\_\_\_\_\_\_\_
      * Transposition
        + Wrote \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ instead of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Slide
        + Wrote \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ instead of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - is an omitted amount
      * Look for an amount \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the difference.
      * Check \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, accounts, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to see that amount was handled correctly.
* Correcting Errors
  + See pages 168 – 169
* Preventing Errors
  + Most errors occur during \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + Use a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Chapter 6 Practice Problem**

Use the worksheet on the following page for this problem.

On February 28 of the current year, Golden Tan has the following general ledger accounts and balances. The business uses a monthly fiscal period.

|  |  |  |
| --- | --- | --- |
| **Account Titles** | **Account Balances** | |
| **Debit** | **Credit** |
| Cash | $9,800 |  |
| Petty Cash | 150 |  |
| Accounts Receivable-Ruby Prince | 2,795 |  |
| Supplies | 456 |  |
| Prepaid Insurance | 750 |  |
| Accounts Payable-Richard Navarro |  | $555 |
| Gary Baldwin, Capital |  | 14,885 |
| Gary Baldwin, Drawing | 3,400 |  |
| Income Summary |  |  |
| Sales |  | 4,320 |
| Advertising Expense | 931 |  |
| Insurance Expense |  |  |
| Miscellaneous Expense | 378 |  |
| Supplies Expense |  |  |
| Utilities Expense | 1,100 |  |

1. Prepare the heading and trial balance on a worksheet.
2. Total and rule the Trial Balance columns.
3. Adjust the following adjustment information into debit and credit parts. Record the adjustments on the work sheet.

*Adjustment Information, February 28*

Supplies on hand $325

Value of prepaid insurance $500

1. Total and rule the Adjustments columns.
2. Extend the up-to-date balances to the Balance Sheet and Income Statement columns.
3. Rule a single line across the Income Statement and Balance Sheet columns. Total each column.
4. Calculate and record the net income or net loss. Label the amount in the Account Title column.
5. Total and rule the Income Statement and Balance Sheet columns.

