Introduction to Accounting

Solutions Pt. 3

(Adjusting entries)

Sotirios Karatzimas, Assistant Professor

skaratzimas@aueb.gr

Exercise 1 Adjusting entries

31.12	Supplies expense	4.000	
	Supplies		4.000
	To expense supplies		
31.12	Depreciation-Furniture	20.000	
	Accumulated Depreciation-Furniture		20.000
	To depreciate furniture		
31.12	Depreciation-Building	10.000	
	Accumulated Depreciation-Building		10.000
	To depreciate furniture		
31.12	Salaries	5.000	
	Salaries payable		5.000
	To recognize salaries payable		

Adjusting entries

31.12	Interest receivable	12.000	
	Interest revenue		12.000
	To record interest revenue		
31.12	Unearned service revenue	32.000	
	Service revenue		32.000
	To record service revenue		
31.12	Income tax	35.000	
	Income tax payable		35.000
	To record income tax payable		

DELTA SA Adjusted trial balance 31 Dec 2022		
	Debit	**Credit**
Cash	198.000	
Supplies	2.000	
Accounts receivable	370.000	
Interest receivable	12.000	
Building	250.000	
Accumulated depreciation – Building		140.000
Furniture	100.000	
Accumulated depreciation – Furniture		60.000
Accounts payable		380.000
Salaries payable		5.000
Income tax payable		35.000
Unearned Service revenue		13.000
Common stock		100.000
Retained earnings		193.000
Dividends	65.000	
Service revenue		318.000
Interest revenue		12.000
Salaries	177.000	
Supplies expense	4.000	
Depreciation building	10.000	
Depreciation furniture	20.000	
Other operating expenses	13.000	
Income tax	35.000	
Total	**1.256.000**	**1.256.000**

Income statement

DELTA SAE Income statement For the period ended 31/12/22		
Service revenue		318.000
- Operating expenses		*(224.000)*
Salaries	*(177.000)*	
Supplies expense	*(4.000)*	
Depreciation –Furniture	*(20.000)*	
Depreciation -Building	*(10.000)*	
Other operating expenses	*(13.000)*	
Operating profit		**94.000**
Interest revenue		12.000
Income before taxes		**106.000**
- Income tax	*(35.000)*	
Net income		**71.000**

Retained earnings

DETA SA Statement of Changes in Equity (Retained Earnings) For the period ended 31/12/22	
Retained earnings, beg. balance	193.000
+ Net income	71.000
- *Dividends*	*(65.000)*
Retained earnings, ending balance	**199.000**

Balance Sheet

DELTA SA Balance Sheet 31.12.2022				
Assets			**Liabilities**	
Current Assets			**Current Liabilities**	
Cash		198.000	Acc Payable	380.000
Acc receivable		370.000	Salaries payable	5.000
Interest receivable		12.000	Unearned Service revenue	13.000
Supplies		2.000	Income tax payable	35.000
Non Current Assets			**Equity**	
Furniture (Acc. Depreciation) Furniture, net.	100.000 (60.000)	 40.000	Common stock	100.000
Building (Acc. Depreciation) Building, net.	250.000 (140.000)	 110.000	Retained Earnings	199.000
Total assets	**732.000**		**Total Liabilities & Equity**	**732.000**

ΟΙΚΟΝΟΜΙΚΟ ΠΑΝΕΠΙΣΤΗΜΙΟ ΑΘΗΝΩΝ
ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS

Closing Revenues/Expenses

31/12	Service revenue	318.000	
	Interest revenue	12.000	
	Retained earnings		330.000
Closing revenues			
31/12	Retained earnings	259.000	
	Salaries		177.000
	Supplies		4.000
	Depreciation		30.000
	Income tax		35.000
	Other operating ex		13.000
Closing expenses			
	Retained earnings	65.000	
	Dividends		65.000
Closing Dividends			

DELTA SA Post Closing Trial Balance 31.12.2022		
Cash	198.000	
Supplies	2.000	
Accounts receivable	370.000	
Interest receivable	12.000	
Building	250.000	
Accumulated depreciation – Building		140.000
Furniture	100.000	
Accumulated depreciation – Furniture		60.000
Accounts payable		380.000
Salaries payable		5.000
Income tax payable		35.000
Unearned Service revenue		13.000
Common stock		100.000
Retained earnings		199.000
Total	**932.000**	**932.000**

Exercise 2 Adjusting entries

31.12	Insurance expense	80	
	Prepaid insurance		80
	To record insurance expense		
31.12	Supplies expense	210	
	Supplies		210
	To record supplies expense		
31.12	Depreciation -Equipment	200	
	Accumulated Depreciation -Equipment		200
	TO record depreciation		
31.12	Salaries	240	
	Salaries payable		240
	To record salaries payable		

ΟΙΚΟΝΟΜΙΚΟ ΠΑΝΕΠΙΣΤΗΜΙΟ ΑΘΗΝΩΝ ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS

Adjusting entries

31.12	Service revenue receivable	600	
	Service revenue		600
	To record service revenue receivable		
31.12	Unearned revenue	320	
	Service revenue		320
	To record service revenue		
31.12	Income tax	500	
	Income tax payable		500
	To record income tax payable		

OMEGA SA Adjusted Trial Balance 31.12.2022		
Cash	4.320	
Accounts Receivable	2.500	
Service revenue receivable	600	
Supplies	150	
Prepaid insurance	400	
Equipment	6.800	
Accumulated depreciation-Equipment		1.400
Accounts payable		1.400
Unearned revenue		600
Salaries payable		240
Income tax payable		500
Common stock		4.000
Retained earnings		5.740
Dividends	800	
Service revenue		6.720
Salaries	3.240	
Rent expense	800	
Insurance expense	80	
Supplies expense	210	
Depreciation	200	
Income tax	500	
Total	**20.600**	**20.600**

Income statement

OMEGA SA Income statement For the period ended 31/12/22	
Service revenue	6.720
- Operating expenses	(4.530)
Salaries	*(3.240)*
Rent	*(800)*
Insurance	*(80)*
Supplies expense	*(210)*
Depreciation	*(200)*
Operating profit	**2.190**
Income before taxes	**2.190**
- Income tax	*(500)*
Net income	**1.690**

ΟΙΚΟΝΟΜΙΚΟ ΠΑΝΕΠΙΣΤΗΜΙΟ ΑΘΗΝΩΝ
ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS

Retained Earnings

OMEGA SA Statement of Changes in Equity (Ret Earnings) For the period ended 31/12/22	
Retained earnings, beg. balance	5.740
+ Net income	1.690
- *Dividends*	*(800)*
Retained earnings, ending balance	**6.630**

Balance Sheet

OMEGA Balance Sheet 31.12.2022				
Assets			**Liabilities**	
Current Assets			**Current Liabilities**	
Cash		4.320	Accounts payable	1.400
Acc Receivable		2.500	Unearned revenue	600
Service Revenue receivable		600	Salaries payable	240
Supplies		150	Income tax payable	500
Prepaid insurance		400	**Equity**	
Non-Current Assets			Common stock	4.000
Equipment (Acc. Depreciation) Equipment, net.	6.800 (1.400)	 5.400	Retained earnings	6.630
Total Assets		**13.370**	**Total Liabilities and Equity**	**13.370**

Closing Revenues/Expenses

31.12	Service revenue	6.720	
	Retained earnings		6.720
	Closinge revenues		
31.12	Retained earnings	5.030	
	Salaries		3.240
	Rent		800
	Insurance		80
	Supplies expense		210
	Depreciation		200
	Income tax		500
	Closing expenses		
31.12	Retained earnings	800	
	Dividends		800
	Closing Dividends		

OMEGA SA Post Closing Trial Balance 31.12.2022		
Cash	4.320	
Accounts Receivable	2.500	
Service revenue receivable	600	
Supplies	150	
Prepaid insurance	400	
Equipment	6.800	
Accumulated depreciation-Equipment		1.400
Accounts payable		1.400
Unearned revenue		600
Salaries payable		240
Income tax payable		500
Common stock		4.000
Retained earnings		6.630
Total	**14.770**	**14.770**