

Accounting Cycle Example #2: Service-Based Proprietorship

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INSTRUCTIONS

Chart of Accounts

111 Cash	311 Jonathan Tinker, Capital
112 Accounts Receivable	312 Jonathan Tinker, Drawing
113 Supplies	411 Fees earned
114 Prepaid rent	511 Salaries and wages expense
121 Equipment	512 Supplies expense
122 Accumulated depreciation	513 Rent expense
211 Accounts payable	514 Telephone expense
212 Salaries and wages payable	515 Advertising expense
213 Notes payable	518 Depreciation expense
215 Unearned fees	599 Miscellaneous expense

Step 1: Journalize Business Transactions

- 1/1 Jonathan Tinker deposited \$15,000 into a business checking account (Frawd Company).
- 1/3 Purchased \$1,000 of supplies on account.
- 1/4 \$4,000 of equipment was purchased. He paid \$3,000 down and signed a note for the remainder.
- 1/4 Paid \$1,500 for three-months rent. He moved into the space the same day.
- 1/9 Received an advance payment of \$2,000 from a client for services to be provided later in the month.
- 1/12 Paid \$600 towards the office supplies purchased on January 3rd.
- 1/15 Provided \$10,000 of services on account. Payment for these services should be received by the end of the month.
- 1/16 Paid \$200 towards a monthly business phone line.
- 1/20 Hired a receptionist. He will earn \$15 an hour and will begin working the following week.
- 1/21 Received \$2,000 from customers on account.
- 1/30 Paid \$400 for advertising.
- 1/30 Withdrew \$1,000 for personal use.

Step 2: Post Journal Entries to the General Ledger

Step 3: Create Unadjusted Trial Balance

Step 4: Journalize Adjusting Entries

At the end of January, Jonathan made the following observations:

- a) Only \$200 of the supplies were remaining.
- b) Recorded one month of depreciation, \$100.
- c) Rent for the month needed to be recorded.
- d) His receptionist had worked three days, six hours a day, and had not been paid yet.
- e) Jonathan had provided \$500 worth of services in relation to the advance payment on received on 1/9.
- f) Services provided but not yet billed to the customer totaled \$700 at the end of the month.

Step 5: Post Adjusting Entries to the General Ledger

Step 6: Create Adjusted Trial Balance

Step 7: Create Financial Statements

Step 8: Journalize Closing Entries

Step 9: Post Closing Entries to General Ledger

Step 10: Create Post-Closing Trial Balance

GENERAL JOURNAL

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GENERAL JOURNAL

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GENERAL LEDGER

Cash					Account Number: 111	
Date	Item	Post Ref	Debit	Credit	Balance	
					Debit	Credit

Accounts Receivable					Account Number: 112	
					Balance	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Supplies					Account Number: 113	
					Balance	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Prepaid Rent					Account Number: 114	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Equipment					Account Number: 121	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Accumulated Depreciation					Account Number: 122	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Accounts Payable					Account Number: 211	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Salaries and Wages Payable					Account Number: 212	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Notes Payable					Account Number: 213	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Unearned Fees					Account Number: 215	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Jonathan Tinker, Capital					Account Number: 311	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Jonathan Tinker, Drawing					Account Number: 312	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Fees Earned					Account Number: 411	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Salaries and Wages Expense					Account Number: 511	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Supplies Expense					Account Number: 512	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Rent Expense					Account Number: 513	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Telephone Expense					Account Number: 514	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Advertising Expense					Account Number: 515	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Depreciation Expense					Account Number: 518	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

Miscellaneous Expense					Account Number: 599	
					<i>Balance</i>	
Date	Item	Post Ref	Debit	Credit	Debit	Credit

UNADJUSTED TRIAL BALANCE

Frawd Company Unadjusted Trial Balance January 31, 20XX		
Account	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid rent		
Equipment		
Accumulated depreciation		
Accounts payable		
Salaries and wages payable		
Notes payable		
Unearned fees		
Jonathan Tinker, Capital		
Jonathan Tinker, Drawing		
Fees earned		
Salaries and wages expense		
Supplies expense		
Rent expense		
Telephone expense		
Advertising expense		
Depreciation expense		
Miscellaneous expense		

ADJUSTED TRIAL BALANCE

Frawd Company Adjusted Trial Balance January 31, 20XX		
Account	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid rent		
Equipment		
Accumulated depreciation		
Accounts payable		
Salaries and wages payable		
Notes payable		
Unearned fees		
Jonathan Tinker, Capital		
Jonathan Tinker, Drawing		
Fees earned		
Salaries and wages expense		
Supplies expense		
Rent expense		
Telephone expense		
Advertising expense		
Depreciation expense		
Miscellaneous expense		

FINANCIAL STATEMENTS

Frawd Company Income Statement For the Month Ended January 31, 20XX		

Frawd Company Statement of Owner's Equity For the Month Ended January 31, 20XX		

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POST-CLOSING TRIAL BALANCE

Frawd Company Post-Closing Trial Balance January 31, 20XX		
Account	Debit	Credit
Cash		
Accounts Receivable		
Supplies		
Prepaid rent		
Equipment		
Accumulated depreciation		
Accounts payable		
Salaries and wages payable		
Notes payable		
Unearned fees		
Jonathan Tinker, Capital		
Jonathan Tinker, Drawing		
Fees earned		
Salaries and wages expense		
Supplies expense		
Rent expense		
Telephone expense		
Advertising expense		
Depreciation expense		
Miscellaneous expense		