

QUESTIONS

WHAT IS ACCOUNTING?
ACCOUNTING 101 EXPLAINED FOR
ALL LEVELS

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ACCOUNTING WITH INDY
MASTERING FINANCIAL NUMBERS

Question 1: A Comprehensive Example – Real-World Accounting Scenario

On October 31, 2015, the Alou Equipment Repair Corp.'s post-closing trial balance was as follows. The company adjusts its accounts monthly.

	<u>Debit</u>	<u>Credit</u>
Cash	\$15,580	
Accounts receivable	15,820	
Supplies	4,000	
Equipment	18,000	
Accumulated depreciation—equipment		\$ 3,600
Accounts payable		4,600
Salaries payable		1,000
Unearned revenue		1,000
Common shares		10,000
Retained earnings		33,200
	<u>\$53,400</u>	<u>\$53,400</u>

During November, the following transactions were completed:

- Nov. Paid \$2,200 to employees for salaries due, of which \$1,000 is for October salaries payable 9 and \$1,200 for November.
- 12 Issued common shares for \$5,000.
- 13 Received \$12,400 cash from customers in payment of accounts.
- 19 Received \$11,400 cash for services performed in November.
- 20 Purchased supplies on account, \$600.
- 21 Paid creditors \$4,600 of accounts payable due.
- 23 Paid November rent, \$600.
- 23 Paid salaries, \$2,400.
- 27 Performed services on account, \$3,800.
- 28 Paid a cash dividend, \$500.
- 30 Received \$1,100 from customers for services to be provided in the future.

Adjustment data for the month:

1. Supplies on hand are \$1,000.
2. Accrued salaries payable are \$1,000.
3. The equipment has an estimated useful life of five years.
4. Unearned revenue of \$800 was earned during the month.
5. Income tax payable is estimated to be \$1,100.

Step 1: Analyze the Transactions

Step 2: Journalize the Transactions

Step 3: Update the T-Accounts

Step 4: Prepare the Unadjusted Trial Balance

Step 5: Journalize the Adjusting Entries

Step 6: Prepare the Adjusted Trial Balance

Step 7: Prepare the Four Financial Statements

Step 8: Journalize the Closing Entries

Step 9: Prepare the Post-Closing Trial Balance

Contact IndyFreeMaterial@gmail.com for questions or concerns