

E3-5 (Adjusting Entries) The ledger of Duggan Rental Agency on March 31 of the current year includes the following selected accounts before adjusting entries have been prepared.

	Debit	Credit
Prepaid Insurance	\$ 3,600	
Supplies	2,800	
Equipment	25,000	
Accumulated Depreciation—Equipment		\$ 8,400
Notes Payable		20,000
Unearned Rent Revenue		9,300
Rent Revenue		60,000
Interest Expense	-0-	
Wage Expense	14,000	

An analysis of the accounts shows the following.

1. The equipment depreciates \$250 per month.
2. One-third of the unearned rent was earned during the quarter.
3. Interest of \$500 is accrued on the notes payable.
4. Supplies on hand total \$850.
5. Insurance expires at the rate of \$300 per month.

Instructions

Prepare the adjusting entries at March 31, assuming that adjusting entries are made quarterly. Additional accounts are: Depreciation Expense; Insurance Expense; Interest Payable; and Supplies Expense.

E3-6 (Adjusting Entries) Karen Weller, D.D.S., opened a dental practice on January 1, 2005. During the first month of operations the following transactions occurred.

1. Performed services for patients who had dental plan insurance. At January 31, \$750 of such services was earned but not yet billed to the insurance companies.
2. Utility expenses incurred but not paid prior to January 31 totaled \$520.
3. Purchased dental equipment on January 1 for \$80,000, paying \$20,000 in cash and signing a \$60,000, 3-year note payable. The equipment depreciates \$400 per month. Interest is \$500 per month.
4. Purchased a one-year malpractice insurance policy on January 1 for \$12,000.
5. Purchased \$1,600 of dental supplies. On January 31, determined that \$500 of supplies were on hand.

Instructions

Prepare the adjusting entries on January 31. Account titles are: Accumulated Depreciation—Dental Equipment; Depreciation Expense; Service Revenue; Accounts Receivable; Insurance Expense; Interest Expense; Interest Payable; Prepaid Insurance; Supplies; Supplies Expense; Utilities Expense; and Utilities Payable.

E3-7 (Analyze Adjusted Data) A partial adjusted trial balance of Piper Company at January 31, 2005, shows the following.

PIPER COMPANY ADJUSTED TRIAL BALANCE JANUARY 31, 2005		
	Debit	Credit
Supplies	\$ 700	
Prepaid Insurance	2,400	
Salaries Payable		\$ 800
Unearned Revenue		750
Supplies Expense	950	
Insurance Expense	400	
Salaries Expense	1,800	
Service Revenue		2,000

Instructions

Answer the following questions, assuming the year begins January 1.

- (a) If the amount in Supplies Expense is the January 31 adjusting entry, and \$850 of supplies was purchased in January, what was the balance in Supplies on January 1?
- (b) If the amount in Insurance Expense is the January 31 adjusting entry, and the original insurance premium was for one year, what was the total premium and when was the policy purchased?
- (c) If \$2,500 of salaries was paid in January, what was the balance in Salaries Payable at December 31, 2004?
- (d) If \$1,600 was received in January for services performed in January, what was the balance in Unearned Revenue at December 31, 2004?

E3-10 (Adjusting Entries) Greco Resort opened for business on June 1 with eight air-conditioned units. Its trial balance on August 31 is as follows.

GRECO RESORT		
TRIAL BALANCE		
AUGUST 31, 2005		
	<u>Debit</u>	<u>Credit</u>
Cash	\$ 19,600	
Prepaid Insurance	4,500	
Supplies	2,600	
Land	20,000	
Cottages	120,000	
Furniture	16,000	
Accounts Payable		\$ 4,500
Unearned Rent Revenue		4,600
Mortgage Payable		60,000
Common Stock		91,000
Retained Earnings		9,000
Dividends	5,000	
Rent Revenue		76,200
Salaries Expense	44,800	
Utilities Expense	9,200	
Repair Expense	3,600	
	<u>\$245,300</u>	<u>\$245,300</u>

Other data:

1. The balance in prepaid insurance is a one-year premium paid on June 1, 2005.
2. An inventory count on August 31 shows \$450 of supplies on hand.
3. Annual depreciation rates are cottages (4%) and furniture (10%). Salvage value is estimated to be 10% of cost.
4. Unearned Rent Revenue of \$3,800 was earned prior to August 31.
5. Salaries of \$375 were unpaid at August 31.
6. Rentals of \$800 were due from tenants at August 31.
7. The mortgage interest rate is 8% per year.

Instructions

- (a) Journalize the adjusting entries on August 31 for the 3-month period June 1–August 31.
- (b) Prepare an adjusted trial balance on August 31.