

CHAPTER 10 COMPLETING QUARTERLY ACTIVITIES AND CLOSING THE FISCAL YEAR

Chapters 9 and 10 work together. In Chapter 10, your students continue recording financial information for Jessica Wood. They will complete the Computer Accounting Cycle for November and December 2005. Ms. Wood's checkbook registers and bank statements are used as source documents. At the end of December, which is also the end of the quarter, they complete adjusting entries for Ms. Wood, print financial statements, and close the fiscal year.

SOFTWARE OBJECTIVES: In Chapter 10, your students use the software to:

1. Restore data from Chapter 9.¹
2. Change accounting periods.
3. Journalize and post transactions for November and December.
4. Complete account reconciliation.
5. Print a General Ledger Trial Balance (unadjusted).
6. Journalize and post quarterly adjusting entries in the General Journal.
7. Print financial statements.
8. Close the fiscal year.
9. Print a Post-Closing Trial Balance.
10. Make eight backups: four backups of Jessica Wood Graphics data; one backup of Exercises 10-1; three backups of Exercise 10-2.²

¹All activities in Chapter 9 must be completed before starting Chapter 10.

²For the size of backup files, refer to the chart on page 283. Students may also back up to a floppy disk, the hard drive, network, or other external media.

WEB OBJECTIVES: In Chapter 10, your students did these Internet activities:

1. Used their Internet browser to go to the book's website.
2. Went to the Internet Activity link on the book's website. Then, selected WEB EXERCISES PART 2. Completed the second web exercise in Part 2, Understanding Accounting Terms.
3. Used a word processing program to write summaries of the websites that they visited.

PCA TIPS, CHAPTER 10

- Students must complete Chapter 9 *before* starting Chapter 10.
- To check that students have completed Chapter 9, display Jessica Wood's general ledger trial balance. Compare it to the one shown on textbook page 286. This is the trial balance at the end of Chapter 9.
- If any of the account balances are incorrect on the general ledger trial balance, follow the steps for Editing Journal Entries on textbook page 285. Then, reprint the trial balance.
- If your students do not get the correct year-to-date amounts on their Income Statement (textbook page 326), Statement of Cash Flow (textbook page 328), and Statement of Changes in Financial Position (textbook page 329) they may have set their chart of accounts beginning balance up incorrectly. Refer to textbook pages 255 - 261, Entering Chart of Accounts Beginning Balances. Jessica Wood's beginning balance sheet is dated October 1, 2005 (textbook page 260). Since Peachtree posts on the last day of the month (September 30), students *must* set beginning balances for the preceding month—September 1 through 30, 2005. This is shown on the Select Period window illustration below step 3 on textbook page 257.

To check that students have set up their beginning balance period from 9/1/05 through 9/30/05, follow these steps:

1. Start Peachtree, Open Jessica Wood Graphics.
2. Restore the Chapter 9 Begin.ptb file.

3. From the menu bar, click on Maintain, Chart of Accounts. Then, click on the right-arrow next to Beginning Balances.
 4. Select the period From 9/1/05 through 9/30/05. Click on OK. The Beginning balances as of September 30, 2005 appear. Compare them to the October 1, 2005 balance sheet on textbook page 260. The chart of accounts balances as of September 30, 2005 are the beginning balances for October 1, 2005. October 2005 is the first month for recording Jessica Wood Graphics data. On textbook page 244, below step 14, students selected October as the first month for entering data.
 5. Click on the Cancel icon. The Select Period window illustration on textbook page 257 (below step 3) shows that the period to choose for beginning balances *must be From 9/1/05 through 9/30/05*. Step 4 on textbook page 258 reminds students to recheck the period before continuing. On textbook page 259, students are reminded (in boldface) to make sure that their beginning balances are as of September 30, 2005. If they enter the beginning balances for the wrong month, their Income Statement, Statement of Cash Flow, and Statement of Changes in Financial Position will not show the current month and year-to-date amounts correctly.
- If student files are incorrect, you can restore files from the Instructor's Resource CD or go online to www.mhhe.com/yacht2005 and download the files from the password-protected Instructor Edition site.
 - When you or your students start the Year-End Closing process, Peachtree may say that *not* all journals are posted. You may be using Batch posting instead of Real-time posting. From the menu bar, select Maintain/Company Information. The Posting Method field should show Real time. If necessary, select Real time instead of Batch. If the posting method is correct, you may have Memorized a transaction instead of selecting Save to post. Go to Maintain, Memorized Transactions. Then follow this example: 1) select Payments from the memorized transactions drop-down list. 2) Look in the Transaction ID field. 3) If anything is listed, select it. On the Maintain Memorized Payments window, there is a Select icon. Click on the Select icon to insert into a Tasks window. Then, by clicking on Save from the tasks window, the transaction can be posted. 4) Go back to Maintain, Memorized Transactions and check each option.

LECTURE OUTLINE FOR CHAPTER 10

- A. Software Objectives, page 301
- B. Web Objectives, page 301
- C. Getting Started, pages 302-304
- D. Checkbook Register and Bank Statement: November 2005, pages 305-312
- E. Backing Up November Data, pages 312-313
- F. Data File Statistics, pages 313-314
- G. Changing Accounting Periods: December 1 - 31, 2005, page 315
- H. Checkbook Register and Bank Statement: December 2005, pages 315-319
- I. Backing Up the Unadjusted Trial Balance, pages 319-320
- J. End-of-Quarter Adjusting Entries, pages 320-329
- K. Backing Up December Data, page 329-330
- L. Closing the Fiscal Year, pages 330-335
- M. Printing the Post-Closing Trial Balance, pages 335-336
- N. Backing Up Year-End Data, pages 336-337
- O. Internet Activity, page 337
- P. Summary and Review, pages 337-338
 - 1. Going to the Net, page 338
 - 2. True/Make True questions, page 339-341
 - 3. Exercise 10-1, pages 341-344
 - 4. Exercise 10-2, pages 344-346
 - 5. Chapter 10 Index, page 347

ANSWERS TO GOING TO THE NET

	A	B	C	D	E	F
2						Jan 1, 2004
3					Initial cost	\$7,000
4		Furniture			Salvage value	\$0
5		Annual depreciation amounts under various methods			Useful life (years)	7
7		Years	Double Declining Balance	Straight-Line	Sum of Years Digits	150% Declining Balance
8						
9		1	\$2,000	\$1,000	\$1,750	\$1,500
10		2	\$1,429	\$1,000	\$1,500	\$1,179
11		3	\$1,020	\$1,000	\$1,250	\$926
12		4	\$729	\$1,000	\$1,000	\$728
13		5	\$521	\$1,000	\$750	\$572
14		6	\$372	\$1,000	\$500	\$449
15		7	\$266	\$1,000	\$250	\$353
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39		Total	\$6,336	\$7,000	\$7,000	\$5,706

4. The four depreciation methods shown are: Double Declining Balance; Straight-Line; Sum of Years Digits; and 150% Declining Balance.

ANSWERS TO TRUE/MAKE TRUE QUESTIONS: Your students' answers may vary.

1. You must complete Chapter 9 before starting Chapter 10.
2. True
3. To change an accounting period, select Tasks, then the System menu.
4. True
5. The Account Reconciliation feature may be used to reconcile the account specified in the Account to Reconcile field.
6. True
7. True
8. Ms. Wood's net income for two months is \$10,584.98. Ms. Wood's income for the month of November is \$4,766.12
9. True
10. True

Solution to Exercise 10-1 (5)

Student Name, Designer Account Reconciliation As of Nov 30, 2005 1020 - First Interstate Bank Bank Statement Date: November 30, 2005			
Filter Criteria includes: Report is printed in Detail Format.			
Beginning GL Balance			11,827.30
Add: Cash Receipts			4,305.00
Less: Cash Disbursement			(768.56)
Add (Less) Other			(12.00)
Ending GL Balance			<u>15,351.74</u>
Ending Bank Balance			15,471.46
Add back deposits in transi		_____	
Total deposits in transit			
(Less) outstanding checks			
	Nov 15, 2005	1013	(41.97)
	Nov 16, 2005	1014	(29.95)
	Nov 28, 2005	1015	(47.80)
Total outstanding checks			(119.72)
Add (Less) Other			

Total other			
Unreconciled difference			0.00
Ending GL Balance			<u><u>15,351.74</u></u>

Solution to Exercise 10-1 (6)

Student Name, Designer Cash Account Register For the Period From Nov 1, 2005 to Nov 30, 2005 1020 - First Interstate Bank							
<small>Filter Criteria includes: Report order is by Transaction Date.</small>							
Date	Reference	Type	Payee/Paid By	Memo	Payment Amt	Receipt Amt	Balance
				Opening Balance		11,827.30	11,827.30
11/2/05	ATM	Wrt. Chks.			100.00		11,727.30
11/3/05	Design inco	Receipt		11/3/05		2,200.00	13,927.30
11/3/05	1009	Wrt. Chks.			80.00		13,847.30
11/8/05	Teaching in	Receipt		11/8/05		2,105.00	15,952.30
11/9/05	1010	Wrt. Chks.			56.84		15,895.46
11/10/05	1011	Wrt. Chks.			75.00		15,820.46
11/13/05	1012	Wrt. Chks.			37.00		15,783.46
11/15/05	1013	Wrt. Chks.			41.97		15,741.49
11/16/05	1014	Wrt. Chks.			29.95		15,711.54
11/20/05	ATM	Wrt. Chks.			100.00		15,611.54
11/28/05	1015	Wrt. Chks.			47.80		15,563.74
11/30/05	11/30/05	Gen. Jml.			12.00		15,551.74
11/30/05	ATM	Wrt. Chks.			200.00		15,351.74
		Total			780.56	4,305.00	

Solution to Exercise 10-1 (7)

Student Name, Designer General Journal For the Period From Nov 1, 2005 to Nov 30, 2005					
<small>Filter Criteria includes: Report order is by Date. Report is printed with Accounts having Zero Amounts and with Truncated Transaction Descriptions and in Detail Format.</small>					
Date	Account ID	Reference	Trans Description	Debit Amt	Credit Amt
11/30/05	1020	11/30/05	Service Charge		12.00
	6850		Service Charge	12.00	
		Total		12.00	12.00

Solution to Exercise 10-1 (8)

Student Name, Designer Cash Receipts Journal For the Period From Nov 1, 2005 to Nov 30, 2005					
Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.					
Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
11/3/05	4050	Design income	Design income		2,200.00
	1020		Deposit	2,200.00	
11/8/05	4000	Teaching income	Teaching income		2,105.00
	1020		Deposit	2,105.00	
				<u>4,305.00</u>	<u>4,305.00</u>

Solution to Exercise 10-1 (9)

Student Name, Designer Cash Disbursements Journal For the Period From Nov 1, 2005 to Nov 30, 2005					
Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.					
Date	Check #	Account ID	Line Description	Debit Amount	Credit Amount
11/2/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
11/3/05	1009	6350	Maintenance & Repairs Expense	80.00	
		1020	Kelly's Maintenance and Repair		80.00
11/9/05	1010	6400	Utilities Expense	56.84	
		1020	Utilities Co.		56.84
11/10/05	1011	6600	Advertising Expense	75.00	
		1020	Schuetz Advertising		75.00
11/13/05	1012	7400	Postage Expense	37.00	
		1020	U.S. Post Office		37.00
11/15/05	1013	6500	Telephone Expense	41.97	
		1020	Eastern Telephone		41.97
11/16/05	1014	6560	Internet Service Provider	29.95	
		1020	Internet Service		29.95
11/20/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
11/28/05	1015	1450	Supplies	47.80	
		1020	The Stockroom		47.80
11/30/05	ATM	3930	Student Name, Draw	200.00	
		1020	ATM		200.00
	Total			<u>768.56</u>	<u>768.56</u>

Solution to Exercise 10-1 (10)

Student Name, Designer General Ledger Trial Balance As of Nov 30, 2005			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
1020	First Interstate Bank	15,351.74	
1300	Prepaid Insurance	1,000.00	
1400	Prepaid Rent	700.00	
1450	Supplies	1,035.60	
1500	Computer Equipment	6,500.00	
1510	Furniture	3,500.00	
1520	Automobile	19,000.00	
3920	Student Name, Capital		40,000.00
3930	Student Name, Draw	800.00	
4000	Teaching Income		4,210.00
4050	Design Income		4,500.00
6350	Maintenance & Repairs Ex	80.00	
6400	Utilities Expense	102.64	
6500	Telephone Expense	97.12	
6560	Internet Service Provider	59.90	
6600	Advertising Expense	190.00	
6800	Conference Fees	195.00	
6850	Bank Service Charge	24.00	
7400	Postage Expense	74.00	
	Total:	<u>48,710.00</u>	<u>48,710.00</u>

Solution to Exercise 10-1 (11)

		Student Name, Designer Balance Sheet November 30, 2005
		ASSETS
Current Assets		
First Interstate Bank	\$ 15,351.74	
Prepaid Insurance	1,000.00	
Prepaid Rent	700.00	
Supplies	1,035.60	
	<hr/>	
Total Current Assets		18,087.34
Property and Equipment		
Computer Equipment	6,500.00	
Furniture	3,500.00	
Automobile	19,000.00	
	<hr/>	
Total Property and Equipment		29,000.00
Other Assets		
	<hr/>	
Total Other Assets		0.00
		<hr/>
Total Assets	\$	<u>47,087.34</u>
		LIABILITIES AND CAPITAL
Current Liabilities		
	<hr/>	
Total Current Liabilities		0.00
Long-Term Liabilities		
	<hr/>	
Total Long-Term Liabilities		0.00
		<hr/>
Total Liabilities		0.00
Capital		
Student Name, Capital	\$ 40,000.00	
Student Name, Draw	(800.00)	
Net Income	7,887.34	
	<hr/>	
Total Capital		47,087.34
		<hr/>
Total Liabilities & Capital	\$	<u>47,087.34</u>

Solution to Exercise 10-1 (11) (concluded)

Student Name, Designer Income Statement For the Eleven Months Ending November 30, 2005				
	Current Month		Year to Date	
Revenues				
Teaching Income	\$ 2,105.00	48.90	\$ 4,210.00	48.34
Design Income	2,200.00	51.10	4,500.00	51.66
Total Revenues	<u>4,305.00</u>	100.00	<u>8,710.00</u>	100.00
Cost of Sales				
Total Cost of Sales	<u>0.00</u>	0.00	<u>0.00</u>	0.00
Gross Profit	<u>4,305.00</u>	100.00	<u>8,710.00</u>	100.00
Expenses				
Maintenance & Repairs Expense	80.00	1.86	80.00	0.92
Utilities Expense	56.84	1.32	102.64	1.18
Telephone Expense	41.97	0.97	97.12	1.12
Internet Service Provider	29.95	0.70	59.90	0.69
Advertising Expense	75.00	1.74	190.00	2.18
Conference Fees	0.00	0.00	195.00	2.24
Bank Service Charge	12.00	0.28	24.00	0.28
Postage Expense	37.00	0.86	74.00	0.85
Total Expenses	<u>332.76</u>	7.73	<u>822.66</u>	9.45
Net Income	<u>\$ 3,972.24</u>	92.27	<u>\$ 7,887.34</u>	90.55

Solution to Exercise 10-2 (6)

Student Name, Designer Account Reconciliation As of Dec 31, 2005 1020 - First Interstate Bank Bank Statement Date: December 31, 2005			
Filter Criteria includes: Report is printed in Detail Format.			
Beginning GL Balance			15,351.74
Add: Cash Receipts			4,955.00
Less: Cash Disbursement			(985.60)
Add (Less) Other			(12.00)
Ending GL Balance			<u>19,309.14</u>
Ending Bank Balance			19,578.94
Add back deposits in transi			
Total deposits in transit			
(Less) outstanding checks			
	Dec 13, 2005	1019	(37.00)
	Dec 15, 2005	1020	(85.05)
	Dec 16, 2005	1021	(29.95)
	Dec 28, 2005	1022	(137.80)
Total outstanding checks			<u>(269.80)</u>
Add (Less) Other			
Total other			
Unreconciled difference			<u>0.00</u>
Ending GL Balance			<u><u>19,309.14</u></u>

Solution to Exercise 10-2 (7)

Student Name, Designer Cash Account Register For the Period From Dec 1, 2005 to Dec 31, 2005 1020 - First Interstate Bank							
Filter Criteria includes: Report order is by Transaction Date.							
Date	Reference	Type	Payee/Paid By	Memo	Payment Amt	Receipt Amt	Balance
			Opening Balance			15,351.74	15,351.74
12/2/05	ATM	Wrt. Chks.			100.00		15,251.74
12/3/05	Design inco	Receipt		12/3/05		2,850.00	18,101.74
12/3/05	1016	Wrt. Chks.			105.00		17,996.74
12/8/05	Teaching in	Receipt		12/8/05		2,105.00	20,101.74
12/8/05	1017	Wrt. Chks.			65.00		20,036.74
12/9/05	1018	Wrt. Chks.			145.80		19,890.94
12/13/05	1019	Wrt. Chks.			37.00		19,853.94
12/15/05	1020	Wrt. Chks.			65.05		19,788.89
12/16/05	1021	Wrt. Chks.			29.95		19,758.94
12/20/05	ATM	Wrt. Chks.			100.00		19,658.94
12/28/05	1022	Wrt. Chks.			137.80		19,521.14
12/30/05	ATM	Wrt. Chks.			200.00		19,321.14
12/31/05	12/31/05	Gen. Jnl.			12.00		19,309.14
		Total			997.60	4,955.00	

Solution to Exercise 10-2 (8)

Student Name, Designer General Journal For the Period From Dec 1, 2005 to Dec 31, 2005					
Filter Criteria includes: Report order is by Date. Report is printed with Accounts having Zero Amounts and with Truncated Transaction Descriptions and in Detail Format.					
Date	Account ID	Reference	Trans Description	Debit Amt	Credit Amt
12/31/05	1020	12/31/05	Service Charge		12.00
	8850		Service Charge	12.00	
		Total		12.00	12.00

Solution to Exercise 10-2 (9)

Student Name, Designer Cash Receipts Journal For the Period From Dec 1, 2005 to Dec 31, 2005					
Filter Criteria includes: Report order is by Check Date. Report is printed in Detail Format.					
Date	Account ID	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
12/3/05	4050	Design income	Design income		2,850.00
	1020		Deposit	2,850.00	
12/8/05	4000	Teaching income	Teaching income		2,105.00
	1020		Deposit	2,105.00	
				4,955.00	4,955.00
				4,955.00	4,955.00

Solution to Exercise 10-2 (10)

Student Name, Designer Cash Disbursements Journal For the Period From Dec 1, 2005 to Dec 31, 2005					
Filter Criteria includes: Report order is by Date. Report is printed in Detail Format.					
Date	Check #	Account ID	Line Description	Debit Amount	Credit Amount
12/2/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
12/3/05	1016	6600	Advertising Expense	105.00	
		1020	Schuetz Advertising		105.00
12/8/05	1017	6350	Maintenance & Repairs Expense	65.00	
		1020	Maintenance and Repairs		65.00
12/9/05	1018	6400	Utilities Expense	145.80	
		1020	Utilities Co.		145.80
12/13/05	1019	7400	Postage Expense	37.00	
		1020	U.S. Post Office		37.00
12/15/05	1020	6500	Telephone Expense	65.05	
		1020	Eastern Telephone		65.05
12/16/05	1021	6560	Internet Service Provider	29.95	
		1020	Internet Service		29.95
12/20/05	ATM	3930	Student Name, Draw	100.00	
		1020	ATM		100.00
12/28/05	1022	1450	Supplies	137.80	
		1020	The Stockroom		137.80
12/30/05	ATM	3930	Student Name, Draw	200.00	
		1020	ATM		200.00
	Total			985.60	985.60
				985.60	985.60

Solution to Exercise 10-2 (11) – Unadjusted Trial Balance

Student Name, Designer General Ledger Trial Balance As of Dec 31, 2005			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
1020	First Interstate Bank	19,309.14	
1300	Prepaid Insurance	1,000.00	
1400	Prepaid Rent	700.00	
1450	Supplies	1,173.40	
1500	Computer Equipment	6,500.00	
1510	Furniture	3,500.00	
1520	Automobile	19,000.00	
3920	Student Name, Capital		40,000.00
3930	Student Name, Draw	1,200.00	
4000	Teaching Income		6,315.00
4050	Design Income		7,350.00
6350	Maintenance & Repairs Ex	145.00	
6400	Utilities Expense	248.44	
6500	Telephone Expense	162.17	
6560	Internet Service Provider	89.85	
6600	Advertising Expense	295.00	
6800	Conference Fees	195.00	
6850	Bank Service Charge	36.00	
7400	Postage Expense	111.00	
	Total:	53,665.00	53,665.00

Solution to Exercise 10-2 (14)

Student Name, Designer General Journal For the Period From Dec 31, 2005 to Dec 31, 2005					
Filter Criteria includes: Report order is by Date. Report is printed with Accounts having Zero Amounts and with Truncated Transaction Descriptions and in Detail Format.					
Date	Account ID	Reference	Trans Description	Debit Amt	Credit Amt
12/31/05	6450		Office Supplies Expense	423.40	
	1450		Supplies		423.40
	7050		Deprec. Exp. - Comp Eq	458.33	
	1900		Accum. Depreciation - Comp Eq		458.33
	7060		Deprec. Exp. - Furniture	150.00	
	1910		Accum. Depreciation - Furniture		150.00
	7070		Deprec. Exp. - Automobile	950.00	
	1920		Accum. Depreciation - Automobile		950.00
	6300		Rent or Lease Expense	700.00	
	1400		Prepaid Rent		700.00
	6950		Insurance Expense	250.00	
	1300		Prepaid Insurance		250.00
12/31/05	1020	12/31/05	Service Charge		12.00
	6850		Service Charge	12.00	
		Total		<u>2,943.73</u>	<u>2,943.73</u>

Solution to Exercise 10-2 (15) – Adjusted Trial Balance

Student Name, Designer General Ledger Trial Balance As of Dec 31, 2005				
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.				
Account ID	Account Description	Debit Amt	Credit Amt	
1020	First Interstate Bank	19,309.14		
1300	Prepaid Insurance	750.00		
1450	Supplies	750.00		
1500	Computer Equipment	6,500.00		
1510	Furniture	3,500.00		
1520	Automobile	19,000.00		
1900	Accum. Depreciation - Co		458.33	
1910	Accum. Depreciation - Furn		150.00	
1920	Accum. Depreciation - Auto		950.00	
3920	Student Name, Capital		40,000.00	
3930	Student Name, Draw	1,200.00		
4000	Teaching Income		6,315.00	
4050	Design Income		7,350.00	
6300	Rent or Lease Expense	700.00		
6350	Maintenance & Repairs Ex	145.00		
6400	Utilities Expense	248.44		
6450	Office Supplies Expense	423.40		
6500	Telephone Expense	162.17		
6560	Internet Service Provider	89.85		
6600	Advertising Expense	295.00		
6800	Conference Fees	195.00		
6850	Bank Service Charge	36.00		
6950	Insurance Expense	250.00		
7050	Deprec. Exp. - Comp Eq	458.33		
7060	Deprec. Exp. - Furniture	150.00		
7070	Deprec. Exp. - Automobile	950.00		
7400	Postage Expense	111.00		
	Total:	<u>55,223.33</u>	<u>55,223.33</u>	

Solution to Exercise 10-2 (16)

		Student Name, Designer Balance Sheet December 31, 2005
ASSETS		
Current Assets		
First Interstate Bank	\$ 19,309.14	
Prepaid Insurance	750.00	
Supplies	750.00	
Total Current Assets		20,809.14
Property and Equipment		
Computer Equipment	6,500.00	
Furniture	3,500.00	
Automobile	19,000.00	
Accum. Depreciation - Comp Eq	(458.33)	
Accum. Depreciation - Furnitur	(150.00)	
Accum. Depreciation - Automobi	(950.00)	
Total Property and Equipment		27,441.67
Other Assets		
Total Other Assets		0.00
Total Assets	\$	48,250.81
LIABILITIES AND CAPITAL		
Current Liabilities		
Total Current Liabilities		0.00
Long-Term Liabilities		
Total Long-Term Liabilities		0.00
Total Liabilities		0.00
Capital		
Student Name, Capital	\$ 40,000.00	
Student Name, Draw	(1,200.00)	
Net Income	9,450.81	
Total Capital		48,250.81
Total Liabilities & Capital	\$	48,250.81

Solution to Exercise 10-2 (continued)

Student Name, Designer Income Statement For the Twelve Months Ending December 31, 2005				
	Current Month		Year to Date	
Revenues				
Teaching Income	\$ 2,105.00	42.48	\$ 6,315.00	46.21
Design Income	2,850.00	57.52	7,350.00	53.79
Total Revenues	<u>4,955.00</u>	100.00	<u>13,665.00</u>	100.00
Cost of Sales				
Total Cost of Sales	<u>0.00</u>	0.00	<u>0.00</u>	0.00
Gross Profit	<u>4,955.00</u>	100.00	<u>13,665.00</u>	100.00
Expenses				
Rent or Lease Expense	700.00	14.13	700.00	5.12
Maintenance & Repairs Expense	65.00	1.31	145.00	1.06
Utilities Expense	145.80	2.94	248.44	1.82
Office Supplies Expense	423.40	8.54	423.40	3.10
Telephone Expense	65.05	1.31	162.17	1.19
Internet Service Provider	29.95	0.60	89.85	0.66
Advertising Expense	105.00	2.12	295.00	2.16
Conference Fees	0.00	0.00	195.00	1.43
Bank Service Charge	12.00	0.24	36.00	0.26
Insurance Expense	250.00	5.05	250.00	1.83
Deprec. Exp. - Comp Eq	458.33	9.25	458.33	3.35
Deprec. Exp. - Furniture	150.00	3.03	150.00	1.10
Deprec. Exp. - Automobile	950.00	19.17	950.00	6.95
Postage Expense	37.00	0.75	111.00	0.81
Total Expenses	<u>3,391.53</u>	68.45	<u>4,214.19</u>	30.84
Net Income	<u>\$ 1,563.47</u>	31.55	<u>\$ 9,450.81</u>	69.16

Comment

What if your students Income Statement (see above), Statement of Cash Flow (page 112 - IMK), and Statement of Changes in Financial Position (page 113 - IMK) have different amounts shown in the Year to Date column? See the fourth PCA Tip, page 94 - IMK, to check that your students set their chart of accounts beginning balances correctly. *For Exercise 9-1, Student Name, Designer, students should have their chart of accounts beginning balances set for 9/1/05 through 9/30/05.*

Solution to Exercise 10-2 (16) (continued)

Student Name, Designer Statement of Cash Flow For the twelve Months Ended December 31, 2005		
	Current Month	Year to Date
Cash Flows from operating activities		
Net Income	\$ 1,563.47	\$ 9,450.81
Adjustments to reconcile net income to net cash provided by operating activities		
Accum. Depreciation - Comp Eq	458.33	458.33
Accum. Depreciation - Furnitur	150.00	150.00
Accum. Depreciation - Automobi	950.00	950.00
Prepaid Insurance	250.00	(750.00)
Prepaid Rent	700.00	0.00
Supplies	285.60	(750.00)
Total Adjustments	<u>2,793.93</u>	<u>58.33</u>
Net Cash provided by Operations	<u>4,357.40</u>	<u>9,509.14</u>
Cash Flows from investing activities		
Used For		
Computer Equipment	0.00	(6,500.00)
Furniture	0.00	(3,500.00)
Automobile	0.00	(19,000.00)
Net cash used in investing	<u>0.00</u>	<u>(29,000.00)</u>
Cash Flows from financing activities		
Proceeds From		
Student Name, Capital	0.00	40,000.00
Used For		
Student Name, Draw	(400.00)	(1,200.00)
Net cash used in financing	<u>(400.00)</u>	<u>38,800.00</u>
Net increase <decrease> in cash	<u>\$ 3,957.40</u>	<u>\$ 19,309.14</u>
Summary		
Cash Balance at End of Period	\$ 19,309.14	\$ 19,309.14
Cash Balance at Beg of Period	<u>(15,351.74)</u>	<u>0.00</u>
Net Increase <Decrease> in Cash	<u>\$ 3,957.40</u>	<u>\$ 19,309.14</u>

Solution to Exercise 10-2 (16) (continued)

Student Name, Designer Statement of Retained Earnings For the Twelve Months Ending December 31, 2005	
Beginning Retained Earnings	\$ 0.00
Adjustments To Date	0.00
Net Income	9,450.81
Subtotal	9,450.81
Student Name, Draw	(1,200.00)
Ending Retained Earnings	\$ 8,250.81

Solution to Exercise 10-2 (16) concluded

Student Name, Designer Statement of Changes in Financial Position For the twelve months ended December 31, 2005		
	Current Month	Year To Date
Add back items not requiring working capital		
Accum. Depreciation - Comp Eq	458.33	458.33
Accum. Depreciation - Furnitur	150.00	150.00
Accum. Depreciation - Automobi	950.00	950.00
Working capital from operations	3,121.80	11,009.14
Other sources		
Student Name, Capital	0.00	40,000.00
Total sources	3,121.80	51,009.14
Uses of working capital		
Computer Equipment	0.00	(6,500.00)
Furniture	0.00	(3,500.00)
Automobile	0.00	(19,000.00)
Total uses	0.00	(29,000.00)
Net change	\$ 3,121.80	\$ 22,009.14
Analysis of components of changes		
Increase <Decrease> in Current Assets		
First Interstate Bank	\$ 3,957.40	\$ 19,309.14
Prepaid Insurance	(250.00)	750.00
Prepaid Rent	(700.00)	0.00
Supplies	(285.60)	750.00
<Increase> Decrease in Current Liabilities		
Net change	\$ 2,721.80	\$ 20,809.14

Solution to Exercise 10-2 (19) – Post-Closing Trial Balance

Student Name, Designer			
General Ledger Trial Balance			
As of Jan 31, 2006			
Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.			
Account ID	Account Description	Debit Amt	Credit Amt
1020	First Interstate Bank	19,309.14	
1300	Prepaid Insurance	750.00	
1450	Supplies	750.00	
1500	Computer Equipment	6,500.00	
1510	Furniture	3,500.00	
1520	Automobile	19,000.00	
1900	Accum. Depreciation - Co		458.33
1910	Accum. Depreciation - Furn		150.00
1920	Accum. Depreciation - Auto		950.00
3910	Retained Earnings		8,250.81
3920	Student Name, Capital		40,000.00
	Total:	49,809.14	49,809.14