



# Accounting

# Today's Learning Goals

- record adjusting and closing entries for a service business (e.g., prepaid expenses, amortization, accruals);

# 1 - Prepaid Expenses

- What if we pay a whole year's worth of rent (\$12,000) up front, and we pay on November 1?

\* We can't just expense the whole \$12,000 for this year! (**GAAP** – Matching)\*

- So, we record the amount paid with the following entry. (This creates an asset for that prepaid amount.)

Nov 1. Prepaid Rent	12,000	
Bank		12,000

*Rent paid for one year.*

Dec 31    Rent Expense            2,000  
              Prepaid Rent                2,000  
Adjusting Entry:  $2/12 * 12,000$  of prepaid rent

On December 31, we do what is called an 'Adjusting Entry'



- During the year, we purchase supplies.

Supplies

1,200

Cash

1,200

*Purchased supplies for cash.*

- On December 31<sup>st</sup> however, we might look around and realize a lot of our supplies are gone! (They've been used up.)

- \* We take a look at our supplies, and we realize there are only \$200 worth of supplies left. \*



• Supplies: \$1,200

remaining: 200

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used: 1,000

## Dec 31: Adjusting Entry

- We need to make an adjusting entry on December 31 for the supplies we have used up.

Dec 31. Supplies Expense	1,000	
Supplies		1,000

Adjusting Entry: Supplies used.

# Exercise:

Give the journal entries for the following:

July 1: \$12,000 in rent is paid. (Rent is \$1000 per month.)

July 2: \$5,400 worth of supplies are purchased for cash.

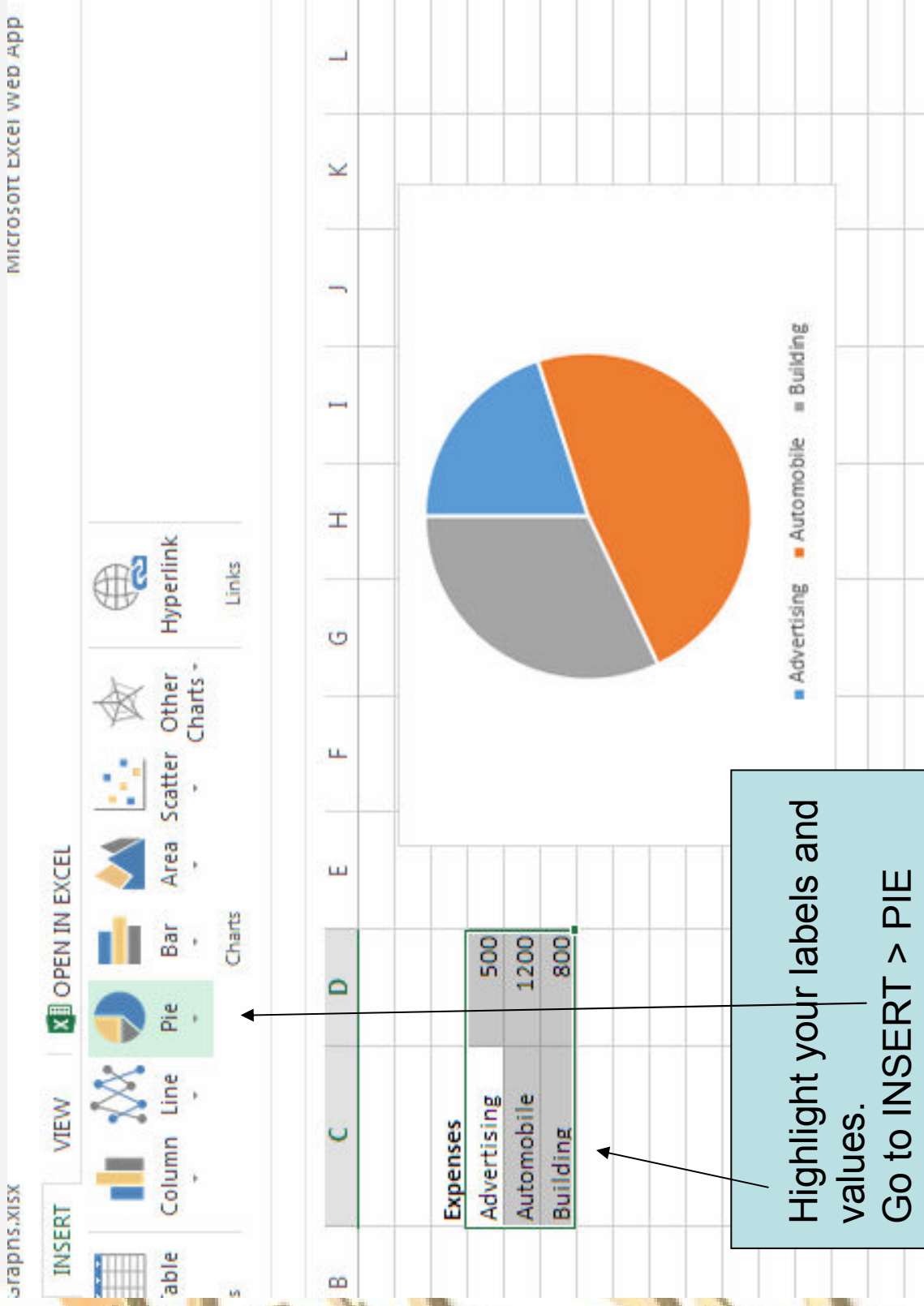
August 1: \$1,500 in insurance is paid. (Insurance is \$125 per month.)

August 2: Another \$600 worth of supplies are purchased.

December 31: A physical count reveals that \$1500 worth of supplies are left.

December 31: Adjusting entries for Rent and Insurance are made.

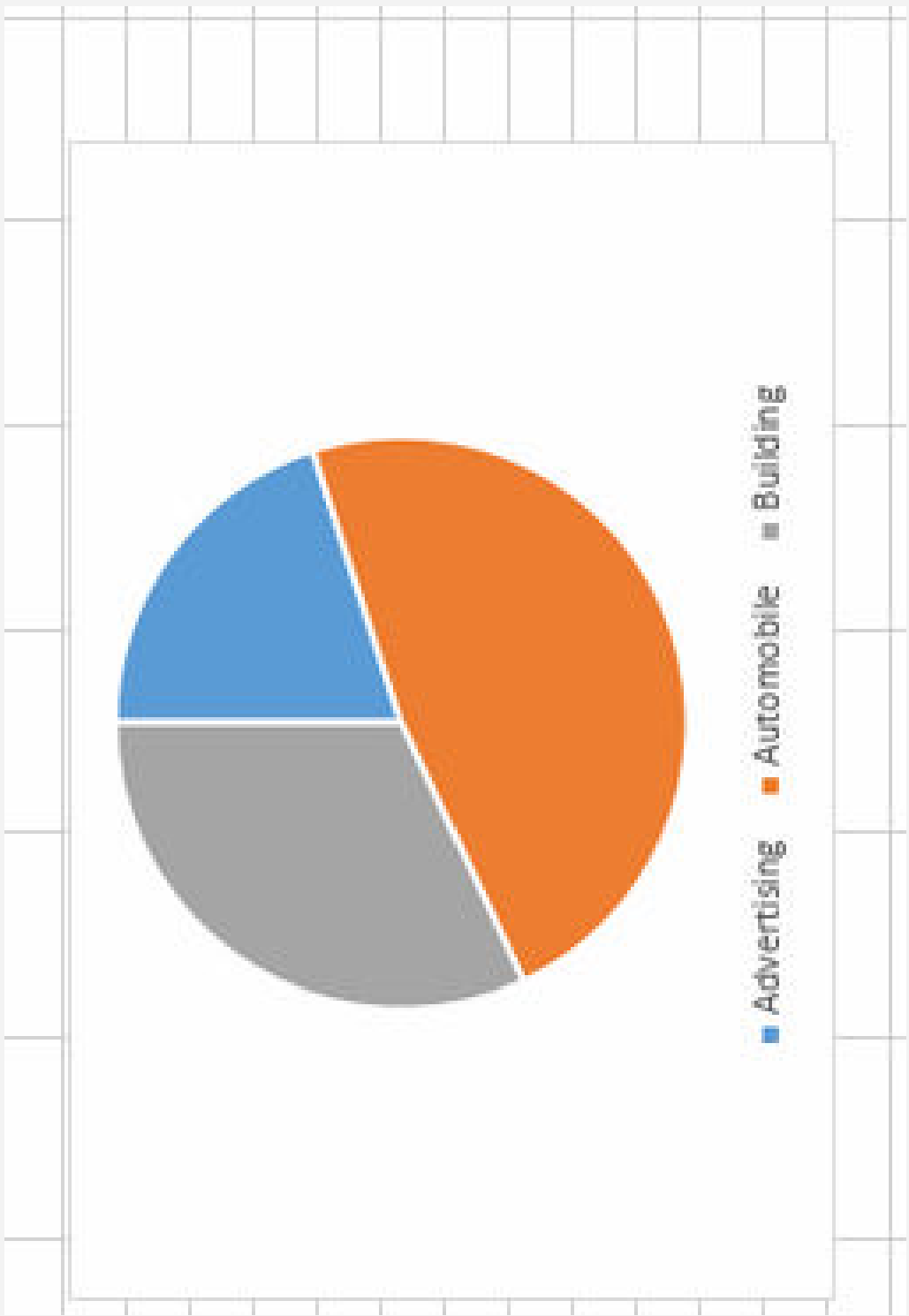
# Graphing in Excel (Skydrive)



Highlight your labels and values.

Go to INSERT > PIE

# What does this show us?



INSERT VIEW

CHART

OPEN IN EXCEL



Column



Line



Pie



Area



Bar



Scatter



Other Charts



Chart Title



Axis Titles



Legend

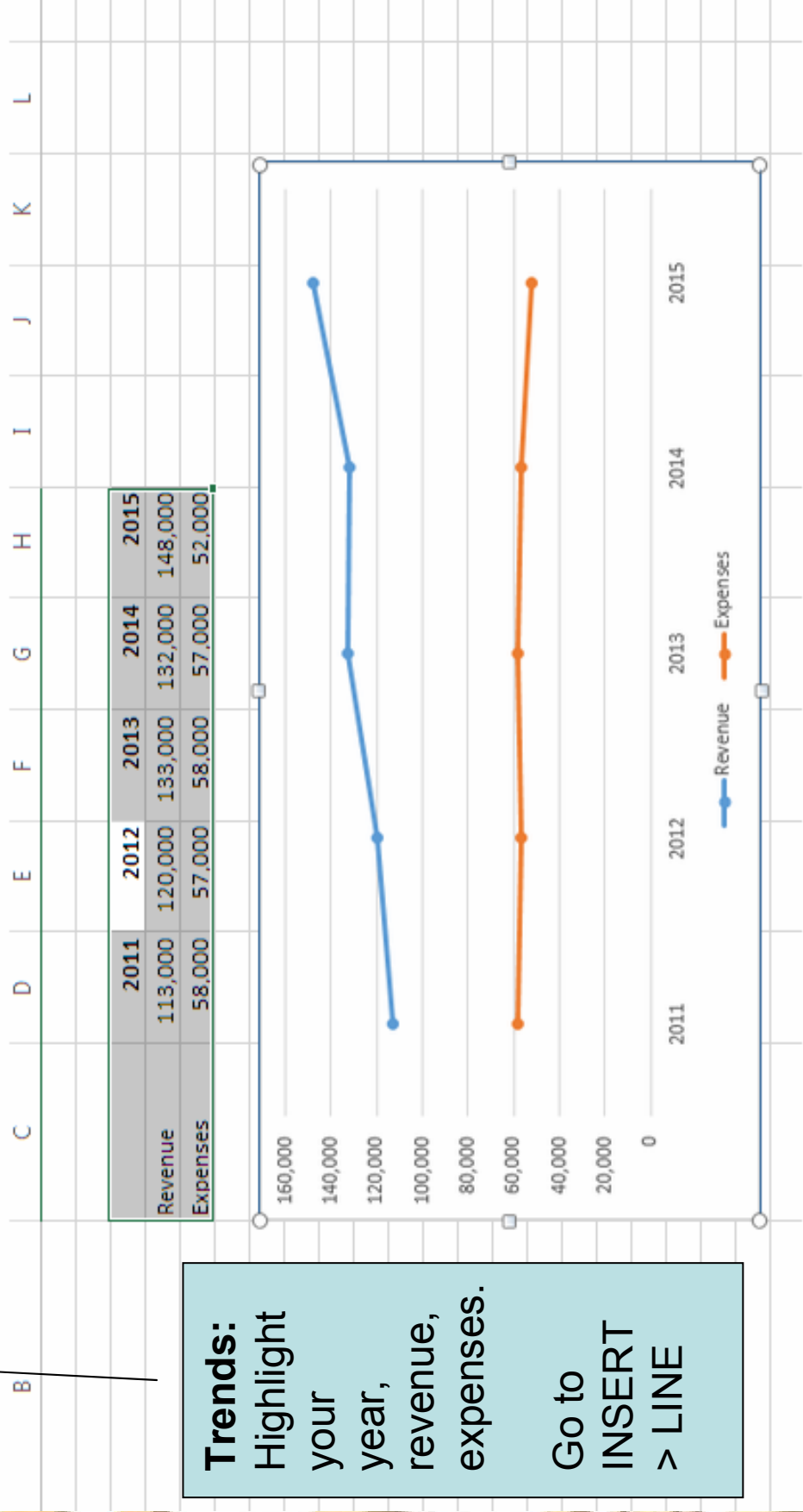


Data Labels

Change Chart Type

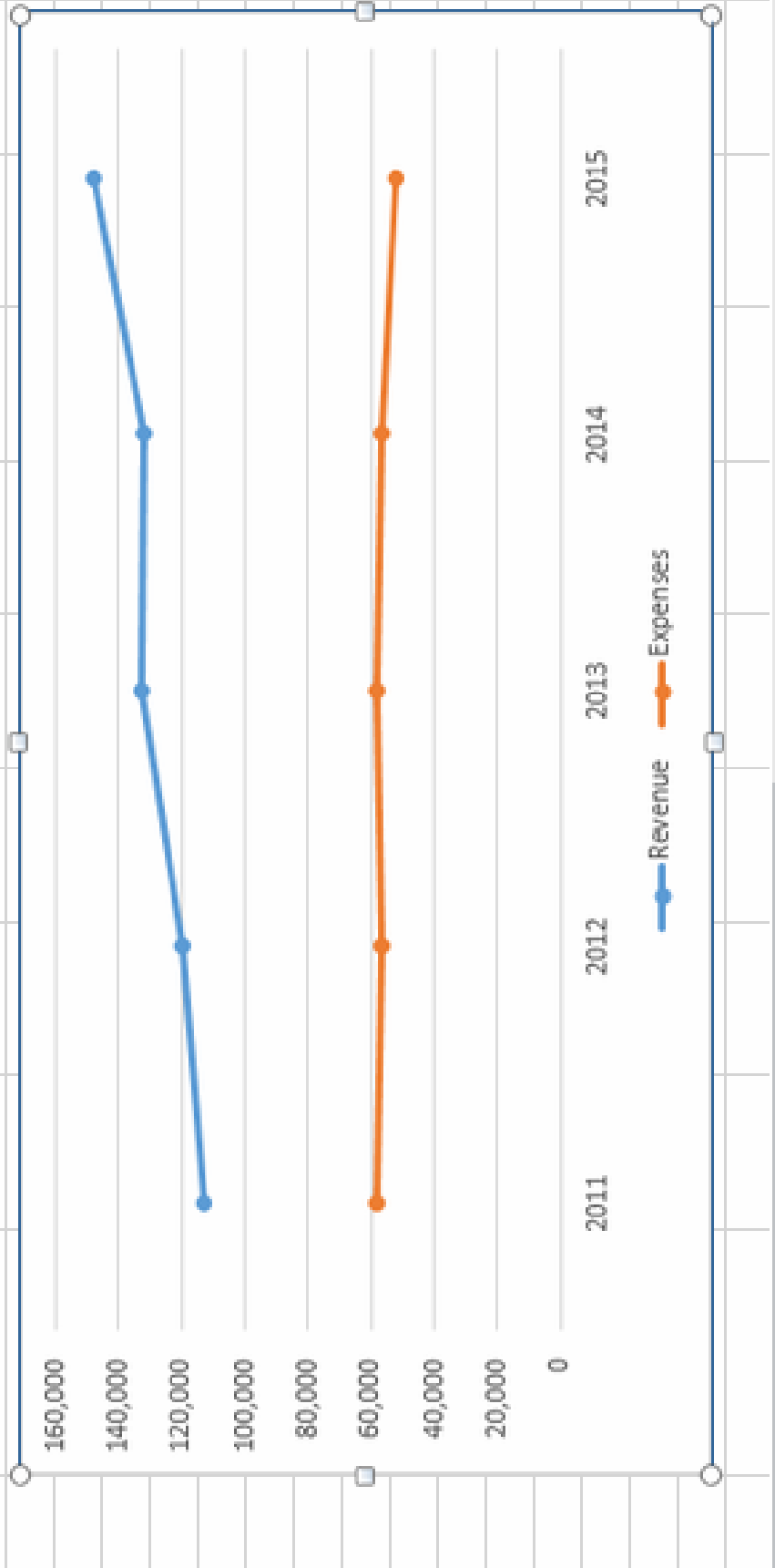
Gridlines

Axes



**Trends:**  
 Highlight your year, revenue, expenses.  
 Go to INSERT > LINE

# What does this graph show us?



# Homework: (...please \*share\*)

- From the following information, create:
  - A line graph showing trends in revenue and expenses for 2011, 2012, 2013, and 2014.
  - Pie graphs (4) showing the composition of expenses for each year.
- \* Please comment on what you can observe from the graphs.



Professional Engineering  
Comparative Income Statements  
Years Ended December 31, 2011 to 2014

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenue</b>				
Sales	299,000	300,000	410,000	360,000
<b>Expenses</b>				
Advertising	11,500	12,300	40,100	30,000
Automobile	14,000	14,200	16,900	15,230
Bank Charges	4,200	4,400	5,200	3,800
Building Expense	29,000	30,000	28,000	98,000
Insurance Expense	20,000	20,000	20,000	20,000
Miscellaneous Expense	3,400	3,600	3,200	14,000
Telephone Expense	400	450	650	450
Wages Expense	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
	162,500	164,950	194,050	261,480
<b>Net Income</b>	<b><u>136,500</u></b>	<b><u>135,050</u></b>	<b><u>215,950</u></b>	<b><u>98,520</u></b>