House O Painting

Deferrals & Accruals … and a Review of the Journal, Ledger, Trial Balance

Charlie O., a high school junior, decided that he needed a way to earn more money for college. So, he started a house painting business, House O Painting, at the beginning of May 2018. Charlie needs your help in keeping his accounting records.

Business Transactions

The business transactions for House O Painting's first month of operations, May 2018, can be found below. You will enter these transactions in the journal on the next page.

May 1 Owner invested $5,000 cash to start business. R1.

2 Purchased supplies (paint, brushes) with cash, $750. C1.

4 Purchased equipment (ladder, buckets) on account, $1,500. M1.

5 Paid $1,200 for a six-month insurance policy. C2.

10 Earned fees of $1,500 cash from painting the Smiths' house. T1.

14 Earned fees of $200 for painting the Bundys' fence, but they weren't home to pay when you finished. You left them a bill. S1.

29 Made a payment to creditors on account, $400. C3.

30 Owner withdrew $300 in cash for personal use. C4.

CHART OF ACCOUNTS

Account Name	Account Number
Cash	11
Accounts Receivable	12
Supplies	13
Prepaid Insurance	14
Equipment	15
Accumulated Depreciation	16
Accounts Payable	21
Wages Payable	22
Unearned Fees	23
Charlie O., Capital	31
Charlie O., Drawing	32
Fees Earned	41
Depreciation Expense	51
Insurance Expense	52
Supplies Expense	53
Wages Expense	54

USE THESE EXACT ACCOUNT NAMES ONLY!

Adjusting Entries: Deferrals & Accruals

The adjusting entries for House O Painting's first month of operations, May 2018, can be found below. You will use these adjustments to complete the journal on the next page.

May 31 **Deferred Expense.** Completed inventory and found that the amount of supplies on hand at the end of month was $300. Record supplies expense for the supplies used. M2.

31 **Deferred Expense.** Record insurance expense for the month of May. M3.

31 **Accrued Expense.** Charlie hired a friend, Ben, to help him out. At the end of the month, Ben had earned a total of $250 but will not be paid until June. Record the wages accrued but not yet paid. M4.

31 **Deferred Revenues.** The Griswalds pay you cash of $750 in advance to paint their house next month. Record the fees that have not yet been earned. T2.

31 **Accrued Revenues.** Charlie is half-way done painting the Jones' house. They won't pay him for the job until it is done next month. Record the $1,000 in fees that he has earned so far. M5.

31 **Depreciation.** The equipment purchased has a useful life of 10 months. Record the depreciation on this equipment for the month of May. M6.

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Journal

Journalize House O Painting's business transactions for the month of May 2018 in the journal provided below. Remember to include a document number and post reference for each entry.

GENERAL JOURNAL **Page 1**

Date	Account Title	Doc. No.	Post. Ref.	Debit	Credit

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Ledger

Post each of the journal entries to the appropriate ledger accounts below. Remember to insert the appropriate post references as each item is posted. Extend the balances to the appropriate balance columns for each transaction.

CASH — **Account No. 11**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit

ACCOUNTS RECEIVABLE — **Account No. 12**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
		Adjusting Entry					

SUPPLIES — **Account No. 13**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
		Adjusting Entry					

PREPAID INSURANCE — **Account No. 14**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
		Adjusting Entry					

EQUIPMENT — **Account No. 15**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit

ACCUMULATED DEPRECIATION — **Account No. 16**

Date		Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
		Adjusting Entry					

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ACCOUNTS PAYABLE — **Account No. 21**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit

WAGES PAYABLE — **Account No. 22**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

UNEARNED FEES — **Account No. 23**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

CHARLIE O., CAPITAL — **Account No. 31**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit

CHARLIE O., DRAWING — **Account No. 32**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit

FEES EARNED — **Account No. 41**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

DEPRECIATION EXPENSE — **Account No. 51**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

INSURANCE EXPENSE — **Account No. 52**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

SUPPLIES EXPENSE — **Account No. 53**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

WAGES EXPENSE — **Account No. 54**

Date	Item	Post. Ref.	Debit	Credit	Balance Debit	Balance Credit
	Adjusting Entry					

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Trial Balance

Prepare the UNADJUSTED TRIAL BALANCE for House O Painting based on the account balances BEFORE adjusting entries. Then record the adjusting entries in the shaded columns. Add across the chart to complete the ADJUSTED TRIAL BALANCE. Finally, add your columns to make sure that you balance.

House O Painting
TRIAL BALANCE
May 31, 2018

	UNADJUSTED		Adjustments		ADJUSTED	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash						
Accounts Receivable						
Supplies						
Prepaid Insurance						
Equipment						
Accumulated Depreciation						
Accounts Payable						
Wages Payable						
Unearned Fees						
Charlie O., Capital						
Charlie O., Drawing						
Fees Earned						
Depreciation Expense						
Insurance Expense						
Supplies Expense						
Wages Expense						
TOTAL						