

# 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 2019. Charlie needs your help in keeping his accounting records.



## Business Transactions

The business transactions for House O Painting’s first month of operations, May 2019, 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.

## Adjusting Entries: Deferrals & Accruals

The adjusting entries for House O Painting’s first month of operations, May 2019, 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.

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
<b>USE THESE EXACT ACCOUNT NAMES ONLY!</b>	





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ACCOUNTS PAYABLE						Account No. 21								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

WAGES PAYABLE						Account No. 22								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

UNEARNED FEES						Account No. 23								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

CHARLIE O., CAPITAL						Account No. 31								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

CHARLIE O., DRAWING						Account No. 32								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		

FEES EARNED						Account No. 41								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

DEPRECIATION EXPENSE						Account No. 51								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

INSURANCE EXPENSE						Account No. 52								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

SUPPLIES EXPENSE						Account No. 53								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

WAGES EXPENSE						Account No. 54								
Date	Item	Post. Ref.	Debit			Credit			Balance					
									Debit			Credit		
	<i>Adjusting Entry</i>													

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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, 2019													
	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													