Drain Surgeons

Making Adjusting Entries

Overview

One of your friends, Joe, owns a local plumbing business called Drain Surgeons. Refer to the Chart of Accounts and Business Transactions listed below and then complete the Journal and Ledger for the month of November.

Chart of Accounts

These are the account names and numbers that you should use throughout the problem.

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

Business Transactions

The business transactions in the month of November 2014 for Drain Surgeons can be found below. You will use these transactions to complete the journal on the next page.

Nov 1 Owner invested $15,000 cash in his business, Drain Surgeons. R1.

2 Purchased equipment for cash, $3,600. The equipment has a useful life of three years. C1.

5 Purchased supplies on account, $1,500. M1.

7 Paid $1,800 in advance for a six month insurance policy. C2.

15 Received $2,000 in cash from the Wilsons for installing new plumbing in their house. T1.

22 Billed the Goodmans $1,500 for replacing their hot water heater. S1.

27 The Trimbles pay one month in advance for a big plumbing project in November, $3,000 (hint: Joe hasn't actually earned the money yet). T2.

29 Joe withdrew $250 cash for personal use. C3.

Adjusting Entries

The adjusting entries for the month are listed below. Record these in the journal and then post to the ledger. Notice that the notation "Adjusting Entry" has already been made in the Item column of the affected ledger accounts for your convenience.

Nov 30 Completed inventory and found that the amount of supplies on hand at the end of month was $1,000, meaning that $500 of supplies had been used during the period. M2.

30 Recorded the adjusting entry for the <u>one month</u> of the insurance policy that has been used in November. M3.

30 Recorded the adjusting entry for depreciation in November (one month) on the equipment purchased. M4.

30 Normal payday for Joe's business is every Friday. As of November 30, his employees have earned $400 in wages that will not be paid until Friday (next month). Record the adjusting entry to reflect these wages that are owed but not yet paid. M5.

Drain Surgeons

Making Adjusting Entries

Journal

GENERAL JOURNAL **Page 1**

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

Drain Surgeons

Making Adjusting Entries

Ledger

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

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 – EQUIPMENT — **Account No. 16**

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

ACCOUNTS PAYABLE — **Account No. 21**

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

Drain Surgeons

Making Adjusting Entries

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

JOE, CAPITAL — **Account No. 31**

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

JOE, 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

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					