

Problem 4

1. $\frac{\$182,500}{365} = \500 / day in wages
 $\$500 \times 6 \text{ days} = \underline{\$3,000}$

2. Wages Expense		\$3,000	
	Accrued Wages Payable		\$3,000

Problem 5

1. June 15	Cash	\$ 400	
	Advance Deposits		\$ 400
	To record receipt of deposit as unearned revenue		
2. July 2	Accounts Receivable	\$ 100	
	Advance Deposits	200	
	Revenue		\$ 300
	To record revenue earned		
July 3	Accounts Receivable	\$ 600	
	Advance Deposits	200	
	Revenue		\$ 800
	To record revenue earned		

Problem 6

1. Interest expense = $80,000 \times .06 \times \frac{(30 - 4)}{365} = \341.92

Interest Expense	\$341.92	
Interest Payable		\$341.92

2. July: $80,000 \times .06 \times (31 / 365) = \407.67

August: $80,000 \times .065 \times (31 / 365) = \441.64

Sept: $80,000 \times .065 \times (30 / 365) = \427.40

Oct: $80,000 \times .065 \times (31 / 365) = \441.64

Nov: $80,000 \times .065 \times (30 / 365) = \427.40

Dec: $80,000 \times .07 \times (31 / 365) = \475.62

Interest expense for July–Dec. = $407.67 + 441.64 + 427.40 + 441.64 + 427.40 + 475.62 =$
\$2,621.37

3. Interest Expense	\$475.62	
Interest Payable		\$475.62

Problem 7

1. Average Daily Pay
 $\frac{\$4,200}{14} = \300
 Pay for the 26th, 27th, 28th, 29th, 30th, and 31st:
 $6 \times \$300 = \$1,800$

2. Adjusting Entry
 Wages Expense \$1,800
 Accrued Wages Payable \$1,800
 To record wages payable at end of January

Problem 8

<u>Debit Account</u>	<u>Credit Account</u>	<u>Deferral or Accrual</u>
1. Wage Expense	Wages Payable or Accrued Wages	Accrual
2. Unearned Revenue	Revenue	Deferral
3. Depreciation Expense	Accumulated Depreciation	Deferral
4. Rent Expense	Prepaid Rent	Deferral
5. Accrued Interest Receivable	Interest Income	Accrual
6. Electricity Expense	Electricity Expense Payable	Accrual

Problem 9

1. Interest (March) = $\frac{\text{Principal}}{365} \times \text{Rate} \times \text{Time}$
 = $\frac{\$ 5,000.00}{365} \times 0.08 \times 31$
 = \$ 33.97

2. Adjusting Entry
 Interest Expense \$ 33.97
 Interest Payable \$ 33.97

3. Interest (April) = $\frac{\$ 5,000.00}{365} \times 0.08 \times 30$
 = \$ 32.88

- Interest Expense \$ 32.88
 Interest Payable \$ 32.88

4. Interest (May) = $\frac{\$ 5,000.00}{365} \times 0.08 \times 31$
 = \$ 33.97

- Interest Expense \$ 33.97
 Interest Payable 66.85
 Notes Payable 500.00

Cash \$ 600.82
 To record payment of quarterly interest and loan installment.

Problem 10

(a)	Insurance Expense	\$11,250	(1)	
	Prepaid Insurance			\$11,250 (1)
(b)	Depreciation Expense	\$14,000	(2)	
	Accumulated Depreciation, Equipment			\$14,000 (2)
(c)	Wages Expense	\$1,800	(3)	
	Accrued Wages Payable			\$1,800 (3)
(d)	Interest Expense	\$4,000	(4)	
	Interest Payable			\$4,000 (4)
(e)	Guest Deposits	\$800		
	Room Revenue			\$800

$$(1) \quad \frac{15,000}{12} = 1,250 \times 9 = 11,250$$

$$(2) \quad \frac{80,000 - 10,000}{5} = \frac{70,000}{5} = 14,000$$

$$(3) \quad \frac{2,100}{7} = 300 \times 6 = 1,800$$

$$(4) \quad 50,000 \times .08 = 4,000$$

Problem 11Overstate or Understate Net Income

1. Overstate
2. Understate
3. Overstate
4. Understate
5. Overstate
6. Understate
7. Overstate
8. Overstate

Balance Sheet Effect

Assets and Owners' Equity will be overstated.

Liabilities will be overstated; Owners' Equity will be understated.

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Problem 12

1.

Supplies	
\$ 1,250	
	\$ 150 f
\$ 1,100	

Prepaid Insurance	
\$ 1,000	
	\$ 500 b
\$ 500	

F&B Inventory	
\$ 2,000	
	\$ 350 a
\$ 1,650	

Acc. Dep.—Equipment	
	\$ 4,000
	1,500 c
	\$ 5,500

Acc. Dep.—Building	
	\$ 6,000
	2,500 d
	\$ 8,500

Salaries Payable	
	\$ 200 e
	\$ 200

Cost of F&B Sales	
\$ 26,600	
a 350	
\$ 26,950	

Salaries Expense	
\$ 1,000	
e 200	
\$ 1,200	

Dep. Expense—Equipment	
c \$ 1,500	
\$ 1,500	

Dep. Expense—Building	
d \$ 2,500	
\$ 2,500	

Supplies Expense	
\$ 2,000	
f 150	
\$ 2,150	

Insurance Expense	
b \$ 500	
\$ 500	

2.

Dec. 31	Cost of Food and Beverage Sales	\$ 350	
	Food and Beverage Inventory		\$ 350
Dec. 31	Insurance Expense	\$ 500	
	Prepaid Insurance		\$ 500
Dec. 31	Depreciation Expense—Equipment	\$ 1,500	
	Accumulated Depreciation—Equipment		\$ 1,500
Dec. 31	Depreciation Expense—Building	\$ 2,500	
	Accumulated Depreciation—Building		\$ 2,500
Dec. 31	Salaries Expense	\$ 200	
	Salaries Payable		\$ 200
Dec. 31	Supplies Expense	\$ 150	
	Supplies		\$ 150

Problem 14

1. Dec. 31	Cost of Food and Beverage Sold Food and Beverage Inventory	\$ 750	\$ 750
2. Dec. 31	Office Supplies Expense Office Supplies	\$ 90	\$ 90
3. Dec. 31	Depreciation Expense—Furniture Accumulated Depreciation—Furniture	\$3,000	\$3,000
4. Dec. 31	Depreciation Expense—Equipment Accumulated Depreciation—Equipment	\$4,000	\$4,000
5. Dec. 31	Rent Expense Prepaid Rent	\$ 800	\$ 800
6. Dec. 31	Wages and Benefits Accrued Wages	\$1,050	\$1,050
7. Dec. 31	Interest Expense Interest Payable	\$1,401	\$1,401
8. Dec. 31	Repairs and Maintenance Expense Accounts Payable	\$ 636	\$ 636
9. Dec. 31	Advance Deposits Food and Beverage Revenue	\$ 300	\$ 300

Problem 15

1. Dec. 31	Insurance Expense	\$ 750	
	Prepaid Insurance		\$ 750
2. Dec. 31	Cleaning Supplies Expense	\$ 1,500	
	Cleaning Supplies		\$ 1,500
3. Dec. 31	Depreciation Expense—Furniture	\$10,000	
	Accumulated Depreciation—Furniture		\$10,000
4. Dec. 31	Depreciation Expense—Equipment	\$ 1,000	
	Accumulated Depreciation—Equipment		\$ 1,000
5. Dec. 31	Depreciation Expense—Building	\$20,000	
	Accumulated Depreciation—Building		\$20,000
6. Dec. 31	Housekeeper Wages	\$ 200	
	Accrued Wages		\$ 200
7. Dec. 31	Interest Receivable	\$ 176	
	Interest Income		\$ 176
8. Dec. 31	Utilities Expense	\$ 500	
	Accounts Payable		\$ 500
9. Dec. 31	Advertising Expense	\$ 240	
	Accounts Payable		\$ 240
10. Dec. 31	Advance Deposits	\$ 650	
	Room Revenue		\$ 650
11. Dec. 31	Accounts Receivable	\$ 300	
	Room Revenue		\$ 300