## Chapter 3 Alternate Demonstration Problem #1

**On July 1, 2021, Howard M. Tenant rents office space from John Q. Landlord for two years, starting immediately, at a rate of $100 per month, or $2,400 in total. The full $2,400 was paid on this date. Record the original transaction and the appropriate adjusting entries in 2021, 2022, and 2023 from the point of view of Tenant and Landlord.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Solution: Chapter 3 Alternate Demonstration Problem #1 | | | | | | |
|  |  |  |  |  |  |  |
| **Tenant** |  |  |  | **Landlord** |  |  |
| **7/1/21** |  |  |  |  |  |  |
| **Prepaid Rent** | **2,400** |  |  | **Cash** | **2,400** |  |
| **Cash** |  | **2,400** |  | **Unearned Rent Rev.** |  | **2,400** |
| **12/31/21** |  |  |  |  |  |  |
| **Rent Expense** | **600** |  |  | **Unearned Rent Rev.** | **600** |  |
| **Prepaid Rent** |  | **600** |  | **Rent Revenue** |  | **600** |
| **12/31/22** |  |  |  |  |  |  |
| **Rent Expense** | **1,200** |  |  | **Unearned Rent Rev.** | **1,200** |  |
| **\*Prepaid Rent** |  | **1,200** |  | **Rent Revenue** |  | **1,200** |
| **12/31/22** |  |  |  |  |  |  |
| **\*Rent Expense** | **600** |  |  | **Unearned Rent Rev.** | **600** |  |
| **Prepaid Rent** |  | **600** |  | **Rent Revenue** |  | **600** |
|  |  |  |  |  |  |  |
| An Alternative Solution (Based on the Appendix) | | | | | | |
| **Tenant** |  |  |  | **Landlord** |  |  |
| **7/1/21** |  |  |  |  |  |  |
| **Rent Expense** | **2,400** |  |  | **Cash** | **2,400** |  |
| **Cash** |  | **2,400** |  | **Rent Rev.** |  | **2,400** |
| **12/31/21** |  |  |  |  |  |  |
| **Prepaid Rent** | **1,800** |  |  | **Rent Rev.** | **1,800** |  |
| **Rent Expense** |  | **1,800** |  | **Unearned Rent Rev** |  | **1,800** |
| **\*12/31/22** |  |  |  |  |  |  |
| **Rent Expense** | **1,200** |  |  | **Unearned Rent Rev.** | **1,200** |  |
| **Prepaid Rent** |  | **1,200** |  | **Rent Revenue** |  | **1,200** |
| **\*12/31/22** |  |  |  |  |  |  |
| **Rent Expense** | **600** |  |  | **Unearned Rent Rev.** | **600** |  |
| **Prepaid Rent** |  | **600** |  | **Rent Revenue** |  | **600** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **\*Notice the adjustment is the same in 2023 and 2022 under both approaches. This is because the adjustment in the appendix alternative solution places all remaining unexpired/unearned amounts in the asset/liability accounts to be considered for future adjustment.** | | | | | | |

Chapter 3 Alternate Demonstration Problem #2

**The trial balance of M. Large Company at the end the year is as follows:**

|  |  |  |
| --- | --- | --- |
| LARGE COMPANY  Trial Balance  December 31, 2021 | | |
|  |  |  |
| **Cash** | **$ 4,000** |  |
| **Accounts Receivable………………………………..** | **400** |  |
| **Prepaid Insurance** | **1,200** |  |
| **Supplies** | **2,100** |  |
| **Equipment** | **20,000** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 2,000** |
| **Common Stock** |  | **10,000** |
| **Retained Earnings………………………………….** |  | **9,000** |
| **Dividends** | **2,000** |  |
| **Revenue** |  | **33,000** |
| **Salaries Expense** | **18,300** |  |
| **Rent Expense** | **6,000** | **\_\_\_\_\_\_** |
| **Totals** | **$54,000** | **$54,000** |

**Additional information:**

1. **Expired insurance, $400.**
2. **Unused supplies, per inventory, $800.**
3. **Estimated depreciation, $1,000.**
4. **Earned but unpaid salaries, $700.**
5. **Services completed for a client by year-end but the client has not been billed for those services, $500**

**Required: Prepare adjusting entries.**

Solution: Chapter 3 Alternate Demonstration Problem #2

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **1.** | **Insurance Expense** | **400** |  |
|  | **Prepaid Insurance** |  | **400** |
|  |  |  |  |
|  | **Supplies Expense** | **1,300** |  |
|  | **Supplies** |  | **1,300** |
|  | ***$2,100 − 800 inventory = 1,300 supplies used*** |  |  |
|  | **Depreciation Expense Equip.** | **1,000** |  |
|  | **Accumulated Depreciation Equip.** |  | **1,000** |
|  |  |  |  |
|  | **Salaries Expense** | **700** |  |
|  | **Salaries Payable** |  | **700** |

|  |  |  |
| --- | --- | --- |
| **Accounts Receivable** | **500** |  |
| **Revenue** |  | **500** |

**Chapter 3 Alternate Demonstration Problem #3**

**The trial balance of M. Large Company at the end of the year is as follows:**

|  |  |  |
| --- | --- | --- |
| M. LARGE COMPANY  Trial Balance  December 31, 2021 | | |
|  |  |  |
| **Cash** | **$ 4,000** |  |
| **Prepaid Insurance** | **1,600** |  |
| **Supplies** | **2,100** |  |
| **Equipment** | **20,000** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 2,000** |
| **Common Stock** |  | **10,000** |
| **Retained Earnings** |  | **9,000** |
| **Dividends** | **2,000** |  |
| **Revenue** |  | **33,000** |
| **Salaries Expense** | **18,300** |  |
| **Rent Expense** | **6,000** | **\_\_\_\_\_\_** |
| **Totals** | **$54,000** | **$54,000** |

**Additional information:**

1. **Expired insurance, $600.**
2. **Unused supplies, per inventory, $800.**
3. **Estimated depreciation, $1,000.**
4. **Earned but unpaid salaries, $700**

**Required:**

1. **Prepare adjusting entries.**

Chapter 3 Solution: Alternate Demonstration Problem #3

|  |  |  |  |
| --- | --- | --- | --- |
| **1.** | **Insurance Expense** | **600** |  |
|  | **Prepaid Insurance** |  | **600** |
|  |  |  |  |
|  | **Supplies Expense** | **1,300** |  |
|  | **Supplies** |  | **1,300** |
|  |  |  |  |
|  | **Depreciation Expense Equip.** | **1,000** |  |
|  | **Accumulated Depreciation Equip.** |  | **1,000** |
|  |  |  |  |
|  | **Salaries Expense** | **700** |  |
|  | **Salaries Payable** |  | **700** |
|  |  |  |  |

# Chapter 3 Alternate Demo Problem #4

**The trial balance of Large Company, Inc. at the end of its annual accounting period is as follows:**

|  |  |  |
| --- | --- | --- |
| LARGE COMPANY, INC.  Trial Balance  December 31, 2021 | | |
|  |  |  |
| **Cash** | **$ 4,000** |  |
| **Prepaid Insurance** | **1,600** |  |
| **Supplies** | **2,100** |  |
| **Equipment** | **20,000** |  |
| **Accumulated Depreciation—Equipment** |  | **$ 2,000** |
| **Common Stock** |  | **10,000** |
| **Retained Earnings** |  | **9,000** |
| **Dividends** | **2,000** |  |
| **Revenue** |  | **33,000** |
| **Salaries Expense** | **18,300** |  |
| **Rent Expense** | **6,000** | **\_\_\_\_\_\_** |
| **Totals** | **$54,000** | **$54,000** |

**Additional information:**

1. **Expired insurance, $600.**
2. **Unused supplies, per inventory, $800.**
3. **Estimated depreciation, $1,000.**
4. **Earned but unpaid salaries, $700**

**Required**

1. **Prepare adjusting entries.**
2. **Prepare closing entries.**
3. **Prepare a post-closing trial balance.**

Chapter 4 Solution: Alternate Demo Problem

|  |  |  |  |
| --- | --- | --- | --- |
| **1.** | **Insurance Expense** | **600** |  |
|  | **Prepaid Insurance** |  | **600** |
|  |  |  |  |
|  | **Supplies Expense** | **1,300** |  |
|  | **Supplies** |  | **1,300** |
|  |  |  |  |
|  | **Depreciation Expense Equip.** | **1,000** |  |
|  | **Accumulated Depreciation Equip.** |  | **1,000** |
|  |  |  |  |
|  | **Salaries Expense** | **700** |  |
|  | **Salaries Payable** |  | **700** |
|  |  |  |  |
| **2.** | **Revenue** | **33,000** |  |
|  | **Income Summary** |  | **33,000** |
|  |  |  |  |
|  | **Income Summary** | **27,900** |  |
|  | **Salaries Expense** |  | **19,000** |
|  | **Rent Expense** |  | **6,000** |
|  | **Insurance Expense** |  | **600** |
|  | **Supplies Expense** |  | **1,300** |
|  | **Depreciation Expense** |  | **1,000** |
|  |  |  |  |
|  | **Income Summary** | **5,100** |  |
|  | **Retained Earnings** |  | **5,100** |
|  |  |  |  |
|  | **Retained Earnings** | **2,000** |  |
|  | **Dividends** |  | **2,000** |
|  | ***Solution continued next page*** |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **3.** | LARGE COMPANY, INC. Post-Closing Trial Balance December 31, 2021 | | |
|  |  | **Dr.** | **Cr.** |
|  | **Cash** | **$4,000** |  |
|  | **Prepaid Insurance** | **1,000** |  |
|  | **Supplies** | **800** |  |
|  | **Equipment** | **20,000** |  |
|  | **Accumulated Depreciation, Equipment** |  | **$ 3,000** |
|  | **Salaries Payable** |  | **700** |
|  | **Common Stock** |  | **10,000** |
|  | **Retained Earnings** | **\_\_\_\_\_\_** | **12,100** |
|  | **Totals** | **$25,800** | **$25,800** |