3. Journalize and post the closing entries. The income summary account is #33 in the ledger of PS Music. Indicate closed accounts by inserting a line in both Balance columns opposite the closing entry.

4. Prepare a post-closing trial balance.

Comprehensive Problem 1

✔ 8. Net income, $33,425

![X]

General Ledger

Kelly Pitney began her consulting business, Kelly Consulting, on April 1, 2016. The accounting cycle for Kelly Consulting for April, including financial statements, was illustrated in this chapter. During May, Kelly Consulting entered into the following transactions:

May 3. Received cash from clients as an advance payment for services to be provided and recorded it as unearned fees, $4,500.

5. Received cash from clients on account, $2,450.

9. Paid cash for a newspaper advertisement, $225.

13. Paid Office Station Co. for part of the debt incurred on April 5, $640.

15. Recorded services provided on account for the period May 1–15, $9,180.

16. Paid part-time receptionist for two weeks' salary including the amount owed on April 30, $750.

17. Recorded cash from cash clients for fees earned during the period May 1–16, $8,360.

Record the following transactions on Page 6 of the journal:

20. Purchased supplies on account, $735.

21. Recorded services provided on account for the period May 16–20, $4,820.

25. Recorded cash from cash clients for fees earned for the period May 17–23, $7,900.

27. Received cash from clients on account, $9,520.

28. Paid part-time receptionist for two weeks' salary, $750.

30. Paid telephone bill for May, $260.

31. Paid electricity bill for May, $810.

31. Recorded cash from cash clients for fees earned for the period May 26–31, $3,300.

31. Recorded services provided on account for the remainder of May, $2,650.

31. Kelly withdrew $10,500 for personal use.

Instructions

1. The chart of accounts for Kelly Consulting is shown in Exhibit 9, and the post-closing trial balance as of April 30, 2016, is shown in Exhibit 17. For each account in the post-closing trial balance, enter the balance in the appropriate Balance column of a four-column account. Date the balances May 1, 2016, and place a check mark (✓) in the Posting Reference column. Journalize each of the May transactions in a two-column journal starting on Page 5 of the journal and using Kelly Consulting's chart of accounts. (Do not insert the account numbers in the journal at this time.)

2. Post the journal to a ledger of four-column accounts.

3. Prepare an unadjusted trial balance.

4. At the end of May, the following adjustment data were assembled. Analyze and use these data to complete parts (5) and (6).

   a. Insurance expired during May is $275.

   b. Supplies on hand on May 31 are $715.

   c. Depreciation of office equipment for May is $330.

   d. Accrued receptionist salary on May 31 is $325.

   e. Rent expired during May is $1,600.

   f. Unearned fees on May 31 are $3,210.

5. *(Optional)* Enter the unadjusted trial balance on an end-of-period spreadsheet and complete the spreadsheet.

6. Journalize and post the adjusting entries. Record the adjusting entries on Page 7 of the journal.

7. Prepare an adjusted trial balance.

8. Prepare an income statement, a statement of owner's equity, and a balance sheet.

9. Prepare and post the closing entries. Record the closing entries on Page 8 of the journal. (Income Summary is account #33 in the chart of accounts.) Indicate closed accounts by inserting a line in both the Balance columns opposite the closing entry.

10. Prepare a post-closing trial balance.

Cases & Projects

CP 4-1 Ethics and professional conduct in business

Picasso Graphics is a graphics arts design consulting firm. Pablo Taylor, its treasurer and vice president of finance, has prepared a classified balance sheet as of July 31, 2016, the end of its fiscal year. This balance sheet will be submitted with Picasso Graphics' loan application to Paris Trust & Savings Bank.

In the Current Assets section of the balance sheet, Pablo reported a $56,000 receivable from Becky Holt, the president of Picasso Graphics, as a trade account receivable. Becky borrowed the money from Picasso Graphics in January 2014 for a down payment on a new home. She has orally assured Pablo that she will pay off the account receivable within the next year. Pablo reported the $56,000 in the same manner on the preceding year's balance sheet.

Evaluate whether it is acceptable for Pablo to prepare the July 31, 2016, balance sheet in this manner.

CP 4-2 Financial statements

The following is an excerpt from a telephone conversation between Ben Simpson, president of Main Street Co., and Tami Lundgren, owner of Reliable Employment Co.:

Ben: Tami, you're going to have to do a better job of finding me a new computer programmer. That last guy was great at programming, but he didn't have any common sense.

Tami: What do you mean? The guy had a master's degree with straight A's.

Ben: Yes, well, last month he developed a new financial reporting system. He said we could do away with manually preparing an end-of-period spreadsheet and financial statements. The computer would automatically generate our financial statements with "a push of a button."

Tami: So what's the big deal? Sounds to me like it would save you time and effort.

Ben: Right! The balance sheet showed a minus for supplies!

Tami: Minus supplies? How can that be?

Ben: That's what I asked.

Tami: So, what did he say?

Ben: Well, after he checked the program, he said that it must be right. The minuses were greater than the pluses. . . .

Tami: Didn't he know that Supplies can't have a credit balance—it must have a debit balance?

Ben: He asked me what a debit and credit were.

Tami: I see your point.

1. Comment on (a) the desirability of computerizing Main Street Co.'s financial reporting system, (b) the elimination of the end-of-period spreadsheet in a computerized accounting system, and (c) the computer programmer's lack of accounting knowledge.

2. Explain to the programmer why Supplies could not have a credit balance.