LESSON

6-2 Planning Adjusting Entries on a Work Sheet



- LO3 Analyze and explain the adjustments for supplies and prepaid insurance.
- LO4 Complete the Adjustments columns of a work sheet.

Planning Adjustments on a Work Sheet

LO3

- Cash paid for an expense in one fiscal period that is not used until a later period is called a prepaid expense.
- Reporting income when it is earned and expenses when they are incurred is called the accrual basis of accounting.
 - Generally accepted accounting principles (GAAP) require the use of the accrual basis of accounting.
- Reporting income when the cash is received and expenses when the cash is paid is called the cash basis of accounting.
- Changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period are called adjustments.

Supplies Adjustment on a Work Sheet

LO3

AFTER ADJUSTMENT

Supplies Expense

Adj. (a) 530.00

Supplies

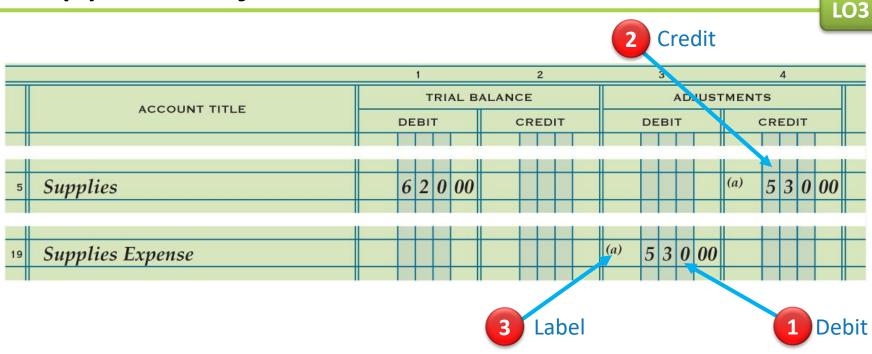
Jan. 31 Bal. 620.00

(New Bal. 90.00)

Adj. (a)

530.00

Supplies Adjustment on a Work Sheet



- 1. Write the debit amount in the Adjustments Debit column on the line with the account title Supplies Expense.
- 2. Write the credit amount in the Credit column on the line with the account title Supplies.
- 3. Label the two parts of this adjustment with a small letter a in parentheses.

Prepaid Insurance Adjustment on a Work Sheet

LO3

AFTER ADJUSTMENT

Insurance Expense

Adj. (b) 150.00

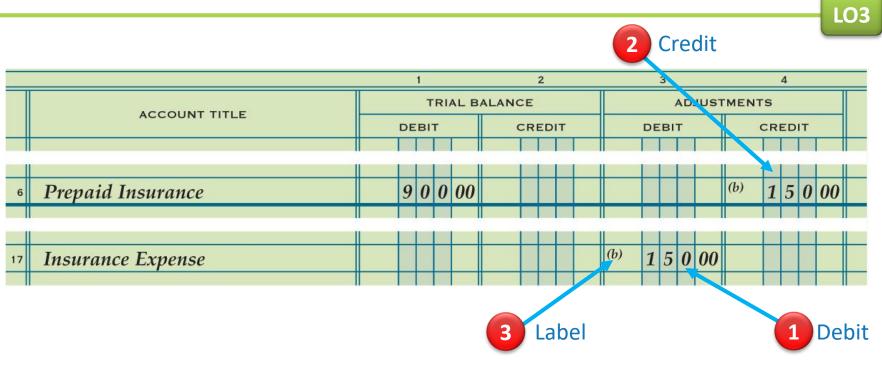
Prepaid Insurance

Jan. 31 Bal. 900.00

(New Bal. 750.00)

Adj. (b) 150.00

Prepaid Insurance Adjustment on a Work Sheet



- 1. Write the debit amount in the Adjustments Debit column on the line with the account title Insurance Expense.
- 2. Write the credit amount in the Credit column on the line with the account title Prepaid Insurance.
- 3. Label the two parts of this adjustment with a small letter b in parentheses.

Proving the Adjustments Columns of a Work Sheet

Rule double lines across both Adjustments columns.

		Dalaa	da	TA	7a h	c.		_																			LU	4
		Delga		97				S					_	_	_					_	_							
		V	Vo	rk	Sł	iee	t																					
	For M	onth E	na	lea	l Ja	an	uary 3	31,	2	0																		
_	1 2 3 4																											
	ACCOUNT TITLE	TRIAL BA					LANCE				ADJUSTMI							ENTS										
			DEBIT				CF	REI	DIT			D	EB	зіт				- 8	CR	EC	TIC							
						_!		-	-			-	-	1			11				-							
5	Supplies		6	2	0 0	00		+	+			+	+	+			(a)	5	3	0	00						
6	Prepaid Insurance		9	0	0 0	00							İ				(b,)	1	5	0	00	-			Si	ng	او
	•													İ			1								1			
								0 20			77.3					100000	-						1			RI	ıle	
17	Insurance Expense								1		(b)	1	1 5	5	0	00						1	1					
18	Miscellaneous Expense			4	5 (00		111 111													1							
19	Supplies Expense										(a)	5	5 3	3	0	00		K										
20		8	0	4	5 0	00	8 0) 4	1 5	00		6	5 8	8	0	00			6	8	0	00			2)	Tot	tal
			1000	1				9	8					- 6			1	K										
1	Rule a single line across the same line as the single line				•											th	e											
	same fine as the single fine	. 101	C1 1	_	• •	ıuı	Daic	4 I I	C		Jiui			٠.							E		D	ou	IOI	e R	lul	e
2	Add both the Adjustments	s Deb	it	ar	nd	C	redit	: C	0	lun	nns																	

SLIDE 7

Lesson 6-2 Audit Your Understanding

1. Explain how the concept of Matching Expenses with Revenue relates to adjustments.

ANSWER

An expense should be reported in the same fiscal period that it is used to produce revenue.

Lesson 6-2 Audit Your Understanding

2. List the four questions asked in analyzing an adjustment on a work sheet.

ANSWER

- 1. What is the balance of the account to be adjusted?
- 2. What should the balance be for this account?
- 3. What must be done to correct the account balance?
- 4. What adjustment is made?