

LESSON

6-3 Completing the Work Sheet and Finding Errors on a Work Sheet



Learning Objectives

- LO5** Prepare the Balance Sheet and Income Statement columns of a work sheet.
- LO6** Total and rule the work sheet.
- LO7** Apply the steps for finding errors on a work sheet.

Extending Balance Sheet Account Balances on a Work Sheet

LO5

- A financial statement that reports the value of a business's assets, liabilities, and owner's equity on a specific date is called a **balance sheet**.

Extending Balance Sheet Account Balances on a Work Sheet

LO5

Debit Balances without Adjustments

1

Delgado Web Services									
Work Sheet									
For Month Ended January 31, 20--									
		1	2	3	4	5	6	7	8
	ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
1	Cash	2 597 00						2 597 00	
2	Petty Cash	1 00 00						1 00 00	
3	Accts. Rec.—Main Street Services	3 00 00						3 00 00	
4	Accts. Rec.—Valley Landscaping	4 00 00						4 00 00	
5	Supplies	6 20 00			(a) 5 30 00			9 00 00	
6	Prepaid Insurance	9 00 00			(b) 1 50 00			7 50 00	
7	Accts. Pay.—Canyon Office Supplies		1 20 00						1 20 00
8	Accts. Pay.—Mountain Graphic Arts		1 05 00						1 05 00
9	Michael Delgado, Capital		2 00 00 00						2 00 00 00
10	Michael Delgado, Drawing	1 15 00 00						1 15 00 00	

Debit Balances with Adjustments

2

Credit Balances without Adjustments

3

Extending Income Statement Account Balances on a Work Sheet

LO5

- A financial statement showing the revenue and expenses for a fiscal period is called an **income statement**.

Extending Income Statement Account Balances on a Work Sheet

LO5

Sales Balance 1

Delgado Web Services									
Work Sheet									
For Month Ended January 31, 20--									
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
11 <i>Income Summary</i>									11
12 <i>Sales</i>		5 820 00				5 820 00			12
13 <i>Advertising Expense</i>	397 00				397 00				13
14 <i>Cash Short and Over</i>	100				100				14
15 <i>Communications Expense</i>	80 00				80 00				15
16 <i>Equipment Rental Expense</i>	1 455 00				1 455 00				16
17 <i>Insurance Expense</i>			(b) 150 00		150 00				17
18 <i>Miscellaneous Expense</i>	45 00				45 00				18
19 <i>Supplies Expense</i>			(a) 530 00		530 00				19
20	8 045 00	8 045 00	680 00	680 00					20
21									21
22									22
23									23

Expense Balances
with Adjustments 3Expense Balances
without Adjustments 2

Recording Net Income and Totaling and Ruling a Work Sheet

LO6

- The difference between total revenue and total expenses when total revenue is greater is called **net income**.

Recording Net Income and Totaling and Ruling a Work Sheet

LO6

Delgado Web Services										
Work Sheet										
For Month Ended January 31, 20--										
	ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1	Cash	2 597 00						2 597 00		1
2	Petty Cash	1 00 00						1 00 00		2
3	Accts. Rec.—Main Street Services	3 00 00						3 00 00		3
4	Accts. Rec.—Valley Landscaping	4 00 00						4 00 00		4
5	Supplies	6 20 00		(a) 530 00				9 00 00		5
6	Prepaid Insurance	9 00 00		(b) 150 00				75 00 00		6
7	Accts. Pay.—Canyon Office Supplies		120 00						120 00	7
8	Accts. Pay.—Mountain Graphic Arts		105 00						105 00	8
9	Michael Delgado, Capital		2 000 00						2 000 00	9
10	Michael Delgado, Drawing	1 150 00						1 150 00		10
11	Income Summary									11
12	Sales		5 820 00				5 820 00			12
13	Advertising Expense	397 00				397 00				13
14	Cash Short and Over	1 00				1 00				14
15	Communications Expense	80 00				80 00				15
16	Equipment Rental Expense	1 455 00				1 455 00				16
17	Insurance Expense			(b) 150 00		150 00				17
18	Miscellaneous Expense	45 00				45 00				18
19	Supplies Expense			(a) 530 00		530 00				19
20		8 045 00	8 045 00	680 00	680 00	2 658 00	5 820 00	5 387 00	2 225 00	20
21	Net Income					3 162 00			3 162 00	21
22						5 820 00	5 820 00	5 387 00	5 387 00	22

1 Single Rule

2 Totals

5 Single Rule

6 Totals

Net Income

Double Rule

4 Extend Net Income

Calculating and Recording a Net Loss on a Work Sheet

LO6

- The difference between total revenue and total expenses when total expenses are greater is called a **net loss**.

Calculating and Recording a Net Loss on a Work Sheet

LO6

1 Single Rule

ACCOUNT TITLE		INCOME STATEMENT				BALANCE SHEET			
		DEBIT		CREDIT		DEBIT		CREDIT	
20		2 4 0 0 00		2 1 0 0 00		4 5 5 0 00		4 8 5 0 00	20
21	<i>Net Loss</i>			3 0 0 00		3 0 0 00			21
22		2 4 0 0 00		2 4 0 0 00		4 8 5 0 00		4 8 5 0 00	22
23									23

Net Loss

3

4

Extend Net Loss

Totals

2

Finding and Correcting Errors on the Work Sheet

LO7

- Several different kinds of errors may be made when preparing a work sheet.
- Three examples
 - There may be errors in the accounting records.
 - There may be errors in calculations.
 - An amount may be entered in the wrong column.

Lesson 6-3 Audit Your Understanding

1. In which Balance Sheet column is net income recorded on the work sheet?

ANSWER

Balance Sheet Credit column

Lesson 6-3 Audit Your Understanding

2. In which Balance Sheet column is net loss recorded on the work sheet?

ANSWER

Balance Sheet Debit column

Lesson 6-3 Audit Your Understanding

- 3.** What is the first step in checking for arithmetic errors when two column totals are not in balance?

ANSWER

Subtract the smaller total from the larger total to find the difference.

Lesson 6-3 Audit Your Understanding

4. What is one way to check for an error caused by transposed numbers?

ANSWER

The difference between two column totals can be divided evenly by 9.

Lesson 6-3 Audit Your Understanding

5. What term is used to describe an error that occurs when numbers are moved to the right or left in an amount column?

ANSWER

Slide