ACCOUNTING CYCLE PRACTICE PROBLEM

The following practice problem is an example of the material that will be tested on the competency exam. The actual exam is not as long as the practice problem and will not have you completing all parts below, but this comprehensive practice problem will prepare you for the Accounting Process Cycle problem in the competency exam. Use the information and worksheets to practice the problem. The answers have been provided. Use the following information and complete the instructions below:

For the past several years, John Addams has operated a part-time business from his home. As of April 1, 2002, John decided to move to rented quarters and to operate the business, which was to be known as Addams & Family Inc., on a full-time basis. Addams & Family entered into the following transactions during April:

April 4 The following assets were received from John Addams: cash, $10,000; accounts receivable, $1,500; supplies, $1,250; and office equipment, $7,500. There were no liabilities received.
April 4 Paid three months' rent on a lease rental contract, $4,500.
April 4 Paid the premium on property and casualty insurance policies for the year, $1,800.
April 6 Received cash from clients as an advance payment for services to be provided, $3,000.
April 7 Purchased additional office furniture on account from Morrilton Company, $1,800.
April 8 Received cash from clients on account, $800.
April 11 Paid cash for newspaper advertisement, $120.
April 12 Paid Morrilton Company $800 for debt incurred on April 7.
April 15 Recorded services provided on account for the period April 4-15, $2,250
April 15 Paid part-time receptionist for two weeks salary, $400.
April 15 Recorded cash from cash clients for fees earned April 4-15, $3,175.
April 18 Paid cash for supplies, $750.
April 22 Recorded services provided on account for April 18-22, $1,100.
April 22 Recorded cash from cash clients for fees earned April 18-22, $1,850.
April 25 Received cash from clients on account, $1,600.
April 27 Paid part-time receptionist for two week's salary, $400.
April 28 Paid telephone bill for April, $130.
April 29 Paid electric bill for April, $200.
April 29 Recorded cash from cash clients for fees earned April 25-29, $2,050.
April 29 Recorded services provided on account for April 25-29, $1,000.
April 29 John received $4,500 from the company as his salary.

Instructions: (The first transaction has been recorded and posted for you).

1. Record the transactions stated above in good general journal form.
2. Post the transactions to T-accounts.
3. Record and post the following adjustments:
    a. Insurance expired in April, $150.
    b. Supplies on hand April 29, $1,020.
    c. Depreciation for the office equipment in April, $500.
    d. Accrued receptionist salary on April 30, $20.
    e. Rent expired in April, $1,500.
    f. Earned $2,000 of services that were previously paid for on 4/6.
5. Prepare an Income Statement, Statement of Retained Earnings and Balance Sheet.
6. Record and post closing entries.
7. Prepare a post-closing trial balance.

LIVEWORKSHEETS

General Journal

Date	Account Title	Debit	Credit
4/4	Cash	10,000	
	Accounts Receivable	1,500	
	Supplies	1,250	
	Office Equipment	7,500	
	Contributed Capital		20,250

LIVEWORKSHEETS

General Journal

Date	Account Title	Debit	Credit

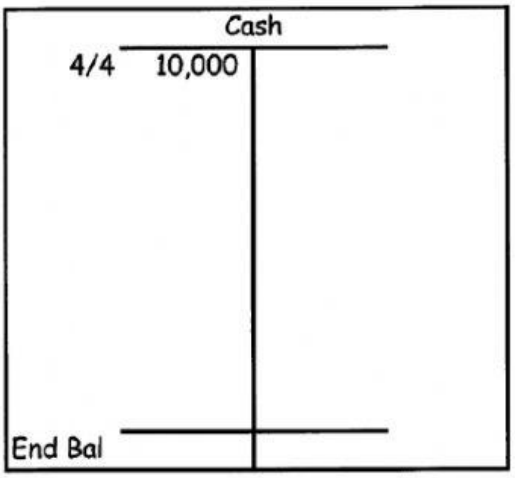
LIVEWORKSHEETS

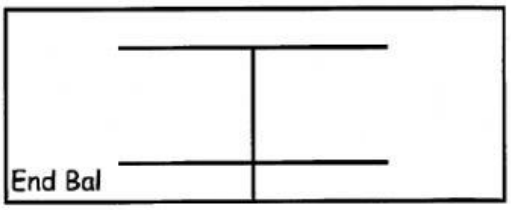
General Journal

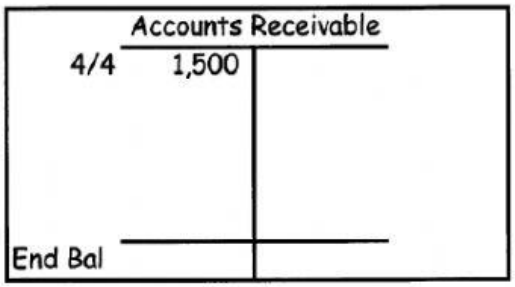
Adjusting Journal Entries

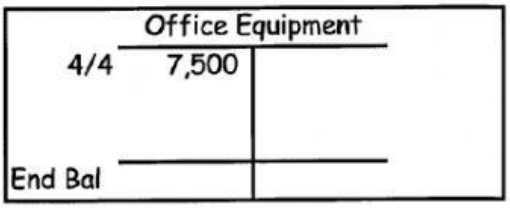
Date	Account Title	Debit	Credit

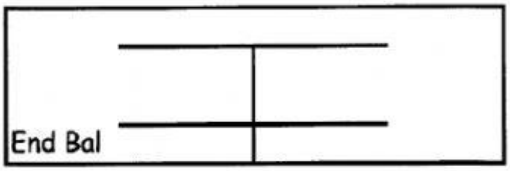
LIVEWORKSHEETS

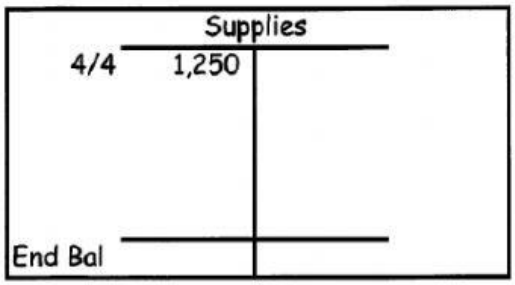


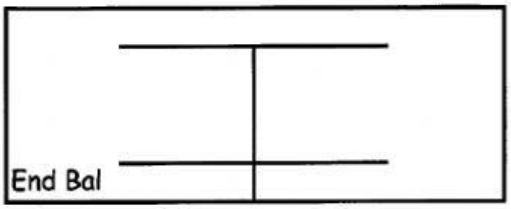


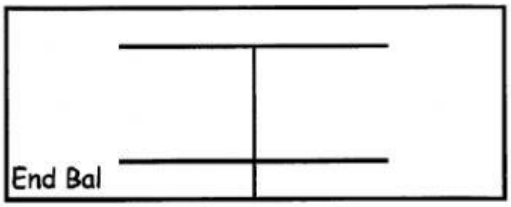


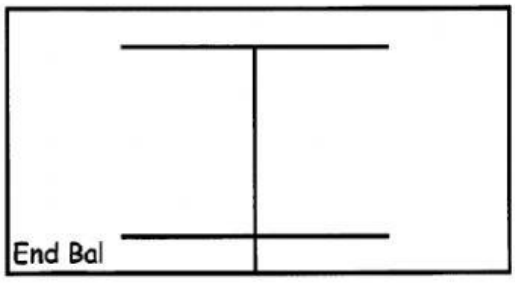


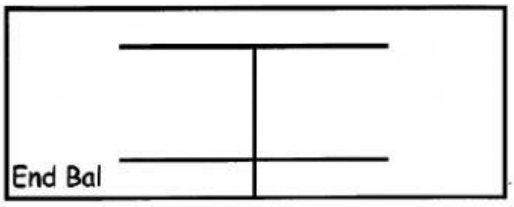




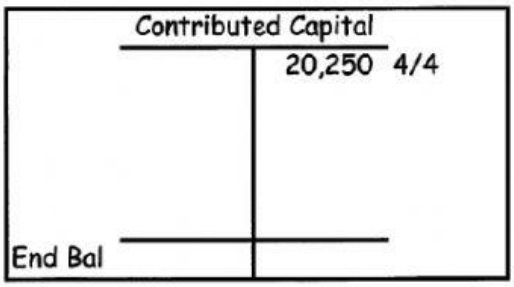


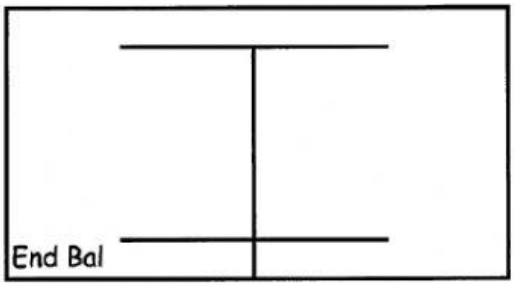


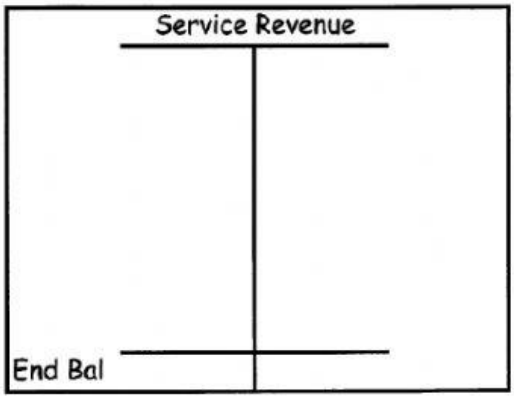


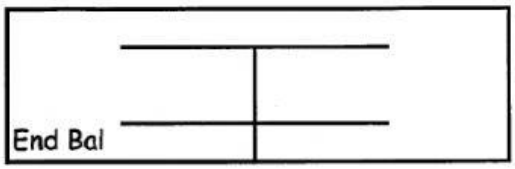


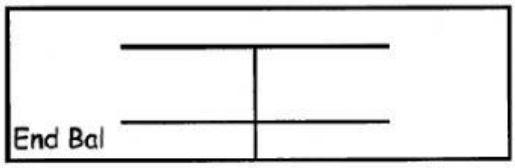
LIVEWORKSHEETS

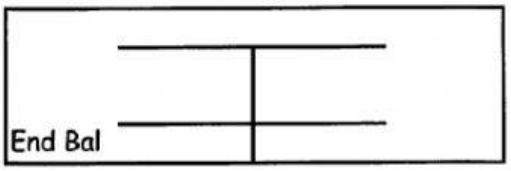


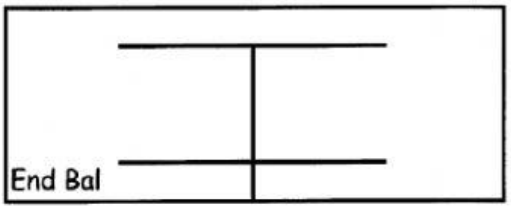


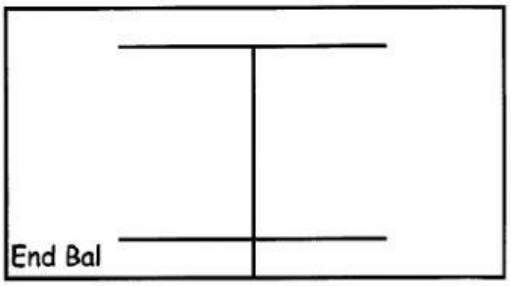


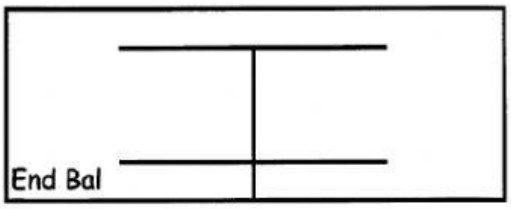


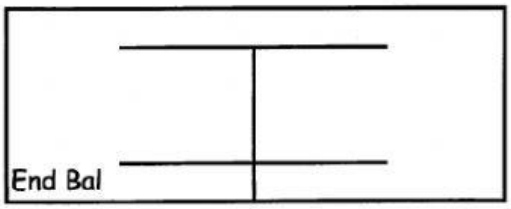


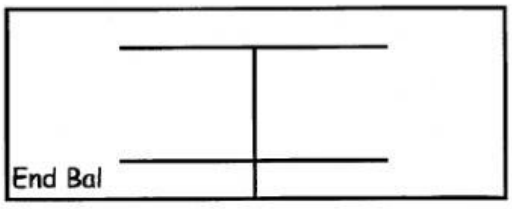












LIVEWORKSHEETS

Addams & Family Inc.

Adjusted Trial Balance

For the Year Ended December 31st, 2010

	Debit	Credit
Cash		
Accounts Receivable		
Prepaid Rent		
Prepaid Insurance		
Supplies		
Office Equipment		
Accumulated Depreciation, Equipment		
Accounts Payable		
Salaries Payable		
Unearned Revenue		
Contributed Capital		
Retained Earnings		
Dividends Declared		
Service Revenue		
Insurance Expense		
Depreciation Expense		
Rent Expense		
Supplies Expense		
Salaries Expense		
Telephone Expense		
Utilities Expense		
Advertising Expense		

LIVEWORKSHEETS

General Journal
Closing Journal Entries

Date	Account Title	Debit	Credit

LIVEWORKSHEETS

Addams & Family Inc.

Post-Closing Trial Balance

For the Year Ended December 31st, 2010

	Debit	Credit
Cash		
Accounts Receivable		
Prepaid Rent		
Prepaid Insurance		
Supplies		
Office Equipment		
Accumulated Depreciation, Equipment		
Accounts Payable		
Salaries Payable		
Unearned Revenue		
Contributed Capital		
Retained Earnings		
Dividends Declared		
Service Revenue		
Insurance Expense		
Depreciation Expense		
Rent Expense		
Supplies Expense		
Salaries Expense		
Telephone Expense		
Utilities Expense		
Advertising Expense		

LIVEWORKSHEETS