

## EXERCISE 6 – ADJUSTMENT ENTRIES

Please journalize the following adjustments of Air & Sea Travel, Inc., at April 30 and post them to the ledger:

- (a) Prepaid rent expired, \$1,000.
- (b) Supplies used, \$300.
- (c) Depreciation on furniture, \$275.
- (d) Accrued salary expense, \$950.
- (e) Accrued service revenue, \$250.
- (f) Amount of unearned service revenue that has been earned, \$150.
- (g) Accrued income tax expense, \$540.

■ SOLUTION

The Adjusting Process of Air & Sea Travel, Inc.

Information for Adjustments at April 30, 20X3	Adjusting Entries
(h) Prepaid rent expired, \$1,000.	(a) Rent Expense ..... 1,000 Prepaid rent ..... 1,000 To record rent expense.
(i) Supplies used, \$300.	(b) Supplies Expense ..... 300 Supplies ..... 300 To record supplies used.
(j) Depreciation on furniture, \$275.	(c) Depreciation Expense – Furniture ..... 275 Accumulated Depreciation – Furniture ..... 275 To record depreciation on furniture.
(k) Accrued salary expense, \$950.	(d) Salary Expense ..... 950 Salary Payable ..... 950 To accrue salary expense.
(l) Accrued service revenue, \$250.	(e) Accounts Receivable ..... 250 Service Revenue ..... 250 To accrue service revenue.
(m) Amount of unearned service revenue that has been earned, \$150.	(f) Unearned Service Revenue ..... 150 Service Revenue ..... 150 To record unearned service revenue that has been earned.
(n) Accrued income tax expense, \$540.	(g) Income Tax Expense ..... 540 Income Tax Payable ..... 540 To accrue income tax expense.

# Ledger Accounts

## ASSETS      LIABILITIES      STOCKHOLDERS' EQUITY

Cash	Prepaid Rent	Accounts Payable	Common Stock	<b>Expenses</b> Rent Expense
Bal. 24.800	3.000 (a) 1.000	Bal. 13.100	Bal. 20.000	(a) 1.000
	Bal. 2.000			Bal. 1.000
Accounts Receivable	Furniture	Salary Payable	Retained Earnings	Salary Expense
2.250	Bal. 16.500	(d) 950	Bal. 11.250	950
(e) 250		Bal. 950		(d) 950
Bal. 2.500				Bal. 1.900
Supplies	Accumulated Depreciation – Furniture	Unearned Service Revenue	Dividends	Supplies Expense
700 (b) 300	(c) 275	(f) 150 450	Bal. 3.200	(b) 300
Bal. 400	Bal. 275	Bal. 300		Bal. 300
		Income Tax Payable		Depreciation Expense - Furniture
		(g) 540		(c) 275
		Bal. 540		Bal. 275
			<b>Revenue</b> Service Revenue	Utilities Expense
			7.000	Bal. 400
			(e) 250	Income Tax Expense
			(f) 150	(g) 540
			Bal. 7.400	Bal. 540