

Comprehensive Problem 1

For the past several years, Kelly Pitney has operated a part-time consulting business from her home. As of April 1, 20xx, Kelly decided to move to rented quarters and to operate the business, which was to be known as Hippocrates Consulting, Inc., on a full-time basis. Hippocrates Consulting entered into the following transactions during April:

- April
1. The following assets were received from Kelly Pitney: cash, \$13,100; accounts receivable, \$3,000; supplies, \$1,400; and office equipment, \$12,500. There were no liabilities received. Common stock was issued for the value of the assets contributed.
 1. Paid three months' rent on a lease rental contract, \$4,800.
 2. Paid the premiums on property and casualty insurance policies, \$1,800.
 4. Received cash from clients as an advance payment for services to be provided and recorded it as unearned fees, \$5,000.
 5. Purchased additional office equipment on account from Office Station Co., \$2,000.
 6. Received cash from clients on account, \$1,800.
 10. Paid cash for a newspaper advertisement, \$120.
 12. Paid Office Station Co. for part of the debt incurred on April 5, \$1,200.
 12. Recorded services provided on account for the period April 1-12, \$4,200.
 14. Paid receptionist for two weeks' salary, \$750.
 17. Recorded cash from cash clients for fees earned during the period April 1-16, \$6,250.
 18. Paid cash for supplies, \$800.
 20. Recorded services provided on account for the period April 13-20, \$2,100.
 24. Recorded cash received from cash clients for fees earned for the period April 17-24, \$3,850.
 26. Received cash from clients on account, \$5,600.
 27. Paid receptionist for two weeks' salary, \$750.
 29. Paid telephone bill for April, \$130.
 30. Paid electricity bill for April, \$200.
 30. Recorded cash received from cash clients for fees earned for the period April 25-30, \$3,050.
 30. Recorded services provided on account for the remainder of April, \$1,500.
 30. Paid dividends in the amount of \$6,000.

Instructions:

1. First, establish a set of general ledger accounts (either “T” accounts or the formal balance format) for the following accounts:

<u>Acct Nr.</u>	<u>Title</u>	<u>Acct Nr.</u>	<u>Title</u>
11	Cash	16	Prepaid Insurance
12	Accounts Receivable	18	Office Equipment
14	Supplies	19	Accum. Deprec - Office Equip.
15	Prepaid Rent		
21	Accounts Payable	31	Common Stock
22	Salaries Payable	32	Dividends
23	Unearned Fees		

<u>Acct Nr.</u>	<u>Title</u>	<u>Acct Nr.</u>	<u>Title</u>
41	Fees Earned	54	Depreciation Expense
51	Salary Expense	55	Insurance Expense
52	Rent Expense	59	Misc. Expense
53	Supplies Expense		

2. Journalize the transactions, for the month of April, in the General Journal.
3. Post all the month’s journal entries (April 1-30) from the general journal to the general ledger accounts.
4. After posting the transactions for the month, produce an unadjusted trial balance, which is to be used in making some of the adjusting entries. Data for the adjusting entries are as follows:
 - a. Insurance expired during April is \$300.
 - b. Supplies on hand on April 30 are \$1,350.
 - c. Depreciation of office equipment for April is \$700.
 - d. Accrued receptionist salary on April 30 is \$120.
 - e. Rent expired during April is \$1,600.
 - f. Unearned fees on April 30 are \$2,500.
5. Prepare the adjusting entries and record them in the General Journal.
6. Post the adjusting entries from the general journal to the general ledger accounts.
7. Produce an Adjusted Trial Balance from the General Ledger updated accounts.
8. Turn in your completed General Journal (including the month’s transactions and adjusting entries) and your Adjusted Trial Balance.