

3-3A – Adjusting Entries, the Adjusted Trial Balance Worksheet, Financial Statements and Closing Entries (and the kitchen sink.)

Below is the June 30, 2017 unadjusted trial balance of Netlock Security, a firm that offers hacking prevention services to large companies.

	Unadjusted TB		Adjustments		Adjusted TB	
	DR	CR	DR	CR	DR	CR
Cash	\$38,000					
Accounts receivable	12,000					
Supplies	5,000					
Prepaid insurance	28,000					
Computers	214,000					
A.D. – Computers		\$46,000				
Accounts payable		8,000				
Salaries payable						
Interest payable						
Unearned security revenue		15,000				
Note payable		30,000				
Common shares		40,000				
Retained earnings		87,000				
Dividends	10,000					
Security revenue		<u>485,000</u>				
Salaries expense	320,000					
Interest expense						
Depreciation expense						
Supplies expense						
Repairs expense	17,000					
Insurance expense						
Rent expense	60,000					
Income tax expense	<u>7,000</u>					
Total	<u>\$711,000</u>	<u>\$711,000</u>				

The company's fiscal year end is June 30, and the following items require adjustment:

- A count of supplies reveals \$300 were on hand on June 30.
- The \$28,000 insurance policy was purchased on March 1, 2017.
- The computers were purchased years ago for 214,000. At the time of purchase, the estimated life of the computers was 10 years with no estimated residual value.
- The \$30,000 note payable was issued on February 1, 2017 and accrues interest at a 10% annual rate. The note is expected to be repaid in late-2017.
- On May 1, 2017 the company entered into a 3-month contract to provide security for a major corporation, the corporation paid \$15,000 for their 3-month contract on May 1, and that amount was correctly recorded as unearned revenue. On June 30, Netlock had fulfilled the first 2 months of the contract.
- The company had three employees who were owed for two days of salaries at year end. Each employee earns \$250 per day.
- On June 1, 2017, the company entered into an agreement to provide service for a new client at a rate of \$4,000 per month. At the end of June the client had received their first month of service but had not yet been billed.

Required:

- As necessary, record adjusting journal entries based on items a.) through g.) above.
- Using your adjusting journal entries, complete the adjusted trial balance (an excel copy of the template above is available at: <http://bit.ly/AdjustedTB>)
- Based on the adjusted trial balance, prepare an income statement, statement of changes in equity and a balance sheet. Assume no common shares were issued during the year.
- Prepare closing entries for the company.