

I-03.03(a)

Identification of items in need of adjustment is not automatic. It requires careful monitoring of the business environment, and can entail assessment of information found on various source documents within the business organization. This problem introduces typical "business papers" that document transactions of the W. Brian Voss Company. You are to examine the provided information, and determine what related adjusting entry is needed for each item on December 31, 20X1.

- (a) Following is a deposit ticket. This item is usually prepared to accompany money that is taken to a bank for deposit to the company's bank account.

The W. Brian Voss Company provides security services, and the following deposit was from a customer that fully prepaid a 6-month contract commencing on the date of the deposit. The proceeds were initially entered into Voss's Unearned Revenue account.

| | | |
|-------------------------------------|-----------------------|-----------|
| <i>W. Brian Voss Company</i> | Cash and coins | |
| <i>6th Avenue</i> | Checks: | |
| <i>Austin, TX</i> | <i>D. Dutter</i> | \$ 750.00 |
| Account # <u>4567654</u> | | |
| Date <u>November 1, 20X1</u> | | |
| AUSTIN Capital Bank | TOTAL | \$ 750.00 |

I-03.03(b)

- (b) The W. Brian Voss Company wrote these checks to purchase supplies during 20X1. Voss began the year with \$1,297 of supplies on hand. At year's end, only \$560 of supplies remained. Each of these transactions was initially recorded in the Supplies account, and no adjusting entries were made during the year.


| | | |
|---|---|----------------------|
| W. Brian Voss Company | | 11034 |
| 6th Avenue | Date: | 1/5/20X1 |
| Austin, TX | | |
| Pay to the order of | Everything Office Supply Company | \$1,175.00 |
| *****ONE-THOUSAND, ONE-HUNDRED SEVENTY-FIVE and No/100 Dollars***** | | |
| Austin Capital Bank | | |
| Memo | <i>office supplies</i> | <i>W. Brian Voss</i> |

| | | |
|-------------------------------------|----------------------------|----------------------|
| W. Brian Voss Company | | 11164 |
| 6th Avenue | Date: | 6/6/20X1 |
| Austin, TX | | |
| Pay to the order of | Ink Jet Now Company | \$90.00 |
| *****NINETY and No/100 Dollars***** | | |
| Austin Capital Bank | | |
| Memo | <i>office supplies</i> | <i>W. Brian Voss</i> |

| | | |
|--|---|----------------------|
| W. Brian Voss Company | | 11202 |
| 6th Avenue | Date: | 11/5/20X1 |
| Austin, TX | | |
| Pay to the order of | Everything Office Supply Company | \$940.00 |
| *****NINE-HUNDRED, FORTY and No/100 Dollars***** | | |
| Austin Capital Bank | | |
| Memo | <i>office supplies</i> | <i>W. Brian Voss</i> |

I-03.03(c)

- (c) The W. Brian Voss Company purchased a new computer. The company estimates that the computer will last four years, and have no salvage value at the end of the four-year period. Following is the invoice that was received at the time the computer was purchased.

|  | | Deal Computer Company | | |
|---|--------|--------------------------------------|--------------|----------|
| | | 1825 Pecan Pflugerville, TX | | |
| Bill to: | | INVOICE | | |
| W. Brian Voss Company | | # 34848 | | |
| 6th Avenue | | | | |
| Austin, TX | | | | |
| P.O. NUMBER | | INVOICE DATE | F.O.B. POINT | TERMS |
| 593CCG | | July 1, 20X1 | Austin | 30 days |
| QTY | PART # | DESCRIPTION | UNIT PRICE | TOTAL |
| 1 | PC4456 | MegaPlex Computer w/FlexPlex Monitor | \$ 2,424 | \$ 2,424 |
| | | <i>Thank you for your business!</i> | | |
| TOTAL | | | | \$ 2,424 |

- (d) The W. Brian Voss Company received the following electric utility bill. It has not been recorded into the accounts.

| | |
|--|----------|
| AUSTIN POWER AND LIGHT | |
| 711 Capitol Avenue | |
| Austin, TX | |
| <i>ELECTRIC UTILITIES</i> | |
| <u>Your payment is due by January 15</u> | |
| W. Brian Voss Company 6th Avenue Austin, TX | |
| Amount Due | \$374.00 |
| Account # 0707BB6AVATX | |
| Electric utility service for December, 20X1 - meter #5340757 | |
| Meter Read: | |
| Prior month | 334346 |
| End of current month | 338086 |
| Current months usage | 3740 KWH |
| Rate | 0.1 |
| | 374 |

I-03.03(e)

- (e) W. Brian Voss leases office space from Trammell Raven Property Management Company. The leasing market was very soft at that time the lease agreement was struck, and the lease includes terms that are very favorable to Voss. Below is the lease agreement. No entry has been recorded for this lease.

LEASE AGREEMENT

This agreement is entered into between by and between TRAMMELL RAVEN PROPERTY MANAGEMENT COMPANY (lessor) and W. Brian Voss Company, (lessee). Lessee agrees to lease from lessor the office space described as 6th Avenue, Austin, Texas.

The term of the lease shall be for 4 years commencing on January 1, 20X1 and continuing until December 31, 20X4. The annual rental rate is \$20,000. Lessee is hereby granted the option to renew and extend the lease for one additional successive four-year period at the then prevailing market rate of rent.

Rent is payable in arrears, annually, on the 1st day of each year following the year of use. The first payment is due January 1, 20X2 (for the preceding year), and continues in similar fashion thereafter for the duration of the lease, including periods of renewal and extension.

Lessor is responsible for all taxes, insurance, and property maintenance. Lessee is responsible for all electric utilities. Lessess agrees to use reasonable care in protecting and preserving the quality of the property covered by this lease.

Date: January 1, 20X1

Trammell Raven

for TRPMC

W. Brian Voss

for W. Brian Voss Company