

Amber Nestor has an eye for quality. She recently formed an art gallery where she allows artists to display their artwork for sale. Customers buy the artwork through the gallery, but payments are actually made payable directly to the originating artist. Artists, in turn, pay Amber a 20% commission that is appropriately reflected as revenue of the gallery.

Following is Amber's trial balance after the first year of operation. This trial balance does not reflect the adjustments that are necessary, as described by the additional information.

AMBER NESTOR ART GALLERY		
Trial Balance		
As of December 31, 20X4		
	Debits	Credits
Cash	\$18,400	
Supplies	6,790	
Display equipment	15,000	
Loan payable		\$ 7,500
Capital stock		25,000
Revenues		48,590
Rent expense	11,000	
Salaries expense	24,000	
Interest expense	500	
Utilities expense	<u>5,400</u>	
	<u>\$81,090</u>	<u>\$81,090</u>

The Display equipment was purchased near the beginning of the year. It has a 3-year life and no salvage value. Its cost should be depreciated equally over its life.

Amber is entitled to receive \$17,900 of commissions for art sold. This revenue has not yet been recorded, but it is fully expected that the artists will soon be making payment.

Supplies on hand at year end were counted, and amount to \$3,400.

December's rent of \$1,000 has not yet been paid.

- (a) Prepare the necessary adjusting entries as of December 31, 20X4.
- (b) Use T-accounts to determine the adjusted balances of the accounts.
- (c) Prepare the adjusted trial balance for Amber Nestor.