

ACC250: Intro to Financial Accounting  
Ch4. Adjustments & Financial Statements

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- 1 Recall: Cost Principle and Matching Principle
- 2 OPEX vs CAPEX
  - Two Types of Expenditures: OPEX and CAPEX
  - Depreciation for CAPEX
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### Cost Principle

Assets are initially recorded at their **acquisition cost**, which includes all costs necessary to acquire the asset and prepare it for its intended use.

Implications for long-term assets (e.g., Property, Plant, and Equipment (PPE)):

- When paying cash for PPE, it is **not an expense**, but an **asset**.
- PPE is recorded at their **acquisition cost**.

**EX.** Buying equipment for \$10M that will be used for 5 years. No residual value.

PPE (+A)	10M
Cash (-A)	10M

### Matching Principle

- Expenses should be recognized in the same period as the revenues they help to generate, regardless of when cash is paid. In other words,
- Expenses should be recognized when the resources are used up to generate the revenues.

Implications for long-term assets (e.g., Property, Plant, and Equipment (PPE)):

- When paying cash for PPE, it is not an expense, but an asset.
- The cost of PPE is allocated over its useful life (i.e., depreciation).

**EX.** Buying equipment for \$10M that will be used for 5 years. No residual value.

- On the purchase date, the equipment is recorded as an asset.
- The cost of the equipment is allocated over its useful life (i.e., depreciation).
- \$2M is the depreciation expense for every year.

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# What is Expenditure?

## Expenditure

- The outflow of cash (or assets) to settle a liability or acquire goods and services.
  - Mostly, it is a **cash outflow**.
  - Examples include:
    - ① paying utilities
    - ② paying cash to suppliers
    - ③ buying equipment
- 
- Expenditure might **NOT** be an expense given the matching principle.
  - Check if the expenditure is used to generate revenues in the **same period**.
    - ① If it is, then it is an **expense**.  
→ **Operating Expenditure (OPEX)**
    - ② If it is not, then it is an asset as it will be used to generate revenues in the future.  
→ **Capital Expenditure (CAPEX)**

## Operating Expenditure (OPEX)

Expenditure that is used to operate the business.

- Recurring costs that are used to operate the business.
- Examples:
  - ▶ Salaries and wages paid to employees
  - ▶ Rent for business premises
  - ▶ Utility bills (electricity, water, etc.)
- Accounting rule: Expense the OPEX immediately.

## Capital Expenditure (CAPEX)

Expenditure that is used to acquire long-term assets.

- Investments in long-term assets that provide long-term benefits.
- Examples:
  - ▶ Purchasing equipment
  - ▶ Building a new office
  - ▶ Prepaid insurance
- Accounting rule:
  - 1 **Capitalize** the CAPEX as an **Asset** (**Cost Principle**).
  - 2 **Expense** the **Capitalized Asset** over multiple periods (**Matching Principle**).
  - 3 The process of allocating the cost of the asset over its useful life is called **depreciation**.

\*Note: We say "**Capitalized**" when an expenditure is recorded as an asset instead of an expense.

- **OPEX**, for recurring costs, is expensed immediately.
- **CAPEX**, for long-term investments, is capitalized as an asset and expensed over multiple periods.

## Depreciation

The process of allocating the cost of a long-term, tangible asset over its useful life.

- Depreciation expense is recorded on the income statement.
- Depreciation expense is cumulated in the accumulated depreciation account.
- Accumulated depreciation decreases the carrying value of the asset.

## Carrying Value (Book Value)

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### Carrying Value or Book Value

The value of an asset reported on the balance sheet.

- Assets are recorded at their acquisition cost.
- Carrying value of assets are adjusted (e.g., depreciation) over the asset's useful life.

## Depreciation Expense and Accumulated Depreciation

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### Depreciation Expense (DepExp, Expense)

The amount of the tangible asset's cost that is allocated to the current accounting period.

### Accumulated Depreciation (AccDep, Contra Asset, xA)

The total amount of depreciation expense that has been recorded against the asset since it was acquired.

### Contra Asset (xA)

- An account that is used to reduce the value of an asset.
- It is recorded on the balance sheet as a contra asset account (xA).

### Accumulated Depreciation (xA)

- It is used to reduce the value of PPE.
- It is recorded on the balance sheet, right after PPE.
- The initial book value less accumulated depreciation is the carrying value of the asset.

## Example: CAPEX

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Suppose we purchase equipment for \$10M, with an expected useful life of 5 years. Our company prepares financial statements on Dec 31.

Question	Answer
Will the asset be used to generate revenues over 5 years?	<u>Yes.</u>
Will it be capitalized as a long-term asset when purchased?	<u>Yes.</u>
Will expenses be recognized over 5 years?	<u>Yes.</u>
Will the value of the asset decrease over time?	<u>Yes.</u>
If depreciation is distributed equally, how much per year?	<u>\$2M.</u>

## Journal entries on:

Jan 1, 2031:	Equipment (+A)	<u>10M</u>
	Cash (-A)	<u>10M</u>

Dec 31, 2031:	Depreciation Expense (+E)	<u>2M</u>
	Accumulated Depreciation (+xA, -A)	<u>2M</u>

At the end of 2031,

- The depreciation expense is \$2M.
- The accumulated depreciation is \$2M.
- The carrying value of the asset is \$8M.

### At the end of Year 1

PPE (at Cost)	<u>\$10M</u>
Less: Accum.Dep.	<u>(2M)</u>
PPE, net	<u>\$8M</u>

## Journal entries on:

Dec 31, 2032:	Depreciation Expense (+E)	<u>2M</u>
	Accumulated Depreciation (+xA, -A)	<u>2M</u>

At the end of 2032,

- The depreciation expense is \$2M.
- The accumulated depreciation is \$4M.
- The carrying value of the asset is \$6M.

### At the end of Year 2

PPE (at Cost)	<u>\$10M</u>
Less: Accum.Dep.	<u>(4M)</u>
PPE, net	<u>\$6M</u>

Suppose we purchase equipment for **\$10M**, with an expected useful life of 5 years. Our company prepares financial statements on Dec 31.

	<b>Purchased</b>	<b>Depreciation Expense</b>	<b>Accumulated Depreciation</b>	<b>Carrying Value</b>
Jan 1, 2031	<u>10M</u>			<u>10M</u>
Dec 31, 2031		<u>2M</u>	<u>2M</u>	<u>8M</u>
Dec 31, 2032		<u>2M</u>	<u>4M</u>	<u>6M</u>
Dec 31, 2033		<u>2M</u>	<u>6M</u>	<u>4M</u>
Dec 31, 2034		<u>2M</u>	<u>8M</u>	<u>2M</u>
Dec 31, 2035		<u>2M</u>	<u>10M</u>	<u>0</u>

- \$2M is the depreciation expense for every year.
- Depreciation expense is cumulated over the years.
- Carrying value of the asset is the remaining value of the asset at the end of the year.

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## Adjustments

- Adjustment journal entries (AJEs) are needed at the end of each reporting period to ensure that all of the accounts (A,L, SHE, R, and E) have the correct balance.
- Adjustments are required because of mismatch between the timing of the recognition of revenues or expenses and the timing of the payment of cash.
- Adjustments should be carefully checked at the end of each reporting period.

To figure out how much to adjust, we need to compare:

- where we were before the adjustment.
- where we are supposed to be after the adjustment.

**EX.** Adjustment to Prepaid Rent:

- Paid \$7,200 for September, October, and November's rent in advance.
- Recorded as Prepaid Expense (Asset!) initially.

How much do we need to adjust at the end of the september?

- Where we were before the adjustment: \$7,200.
- Where we are supposed to be after the adjustment: \$4,800.  
→ We need to adjust \$2,400.

## Deferral Adjustments

Adjustments required because REV and EXP are deferred to a future period while cash is paid/received earlier.

Examples:

Type	What is Deferred?
Deferred revenues (L)	Revenues
Supplies (A)	Supplies Expense
Prepaid expenses (A)	Prepaid Expense

## Adjustments to Deferred Revenues

- ABC corp. collected cash in January and delivered smartphones in February.

### January:

Cash (+A)	10,000
Def.Rev (+L)	10,000

### February (Adjustment Journal Entry):

Def.Rev (-L)	10,000
Sales Revenues (+R, +SE)	10,000

Due to the adjustment in February,

- The balance of Deferred Revenues becomes **\$0**.
- \$10,000 of Deferred Revenues are recognized as Sales Revenues.

## Adjustments to Supplies

- ABC corp. purchased supplies for \$2,000 in January and used the half of them in February.

### January:

Supplies (+A)	2,000
Cash (-A)	2,000

### February (Adjustment Journal Entry):

Supplies Expense (+E)	1,000
Supplies (-A)	1,000

Due to the adjustment in February,

- The balance of Supplies becomes **\$1,000**.
- \$1,000 of Supplies are recognized as Supplies Expense.

## Adjustments to Prepaid Expenses

- ABC corp. purchased a 12-months insurance plan (\$12,000) at the beginning of January.

### January 1:

Prepaid Insurance (+A)	12,000
Cash (-A)	12,000

### January 31 (Adjustment Journal Entry):

Insurance Expense (+E)	1,000
Prepaid Insurance (-A)	1,000

Due to the adjustment in January,

- The balance of Prepaid Insurance becomes **\$11,000**.
- \$1,000 of Prepaid Insurance are recognized as Insurance Expense.

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## Accrual Adjustments

Adjustments required because REV and EXP are recognized in the current period while cash will be paid/received later.

Examples:

<b>Variable Name</b>	<b>What is Accrued?</b>
Interest Receivable (A)	Interest earned but not yet received
Wages Payable (L)	Wages incurred but not yet paid
Income Taxes Payable (L)	Income taxes incurred but not yet paid

## Adjustments to Interest Receivable

- ABC corp. earned \$1,000 of interest in January but did not receive the cash until February.

### January (Adjustment Journal Entry):

Interest Receivable (+A)	1,000
Interest Revenue (+R, +SE)	1,000

### February:

Cash (+A)	1,000
Interest Receivable (-A)	1,000

Due to the adjustment in January,

- ▶ The balance of Interest Receivable becomes **\$1,000**.
- ▶ There is no cash received in January, but interest is earned.
- ▶ Accountants should carefully adjust the balance of Interest Receivable to match the interest earned.

## Adjustments to Wages Payable

- ABC corp.'s employees worked for the firm in January and received \$5,000 in February.

### January (Adjustment Journal Entry):

Wages Expense (+E, -SE)	5,000
Wages Payable (+L)	5,000

### February:

Wages Payable (-L)	5,000
Cash (-A)	5,000

Due to the adjustment in January,

- ▶ The balance of Wages Payable becomes **\$5,000**.
- ▶ There is no cash paid in January, but wages are incurred.
- ▶ Accountants should carefully adjust the balance of Wages Payable to match the wages incurred.

## Risks related to Accrual Adjustments

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- There is no cash inflows/outflows when accrual adjustments are made.
- It is easy to make mistakes by not making adjustments when they should be made.
- Accountants should check all assets and liability balances at the end of the reporting period to ensure they are correct.

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## Previous Transactions (Ch2 and Ch3)

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- ① Ch2-(h): Noodlecake receives supplies costing \$600 on account.

Supplies (+A)	600
Accounts Payable (+L)	600

- ② Ch2-(d): Noodlecake purchases and receives \$9,600 in computers, printers, and desks, in exchange for its promise to pay \$9,600 at the end of the month.

Equipment (+A)	9,600
Accounts Payable (+L)	9,600

- ③ Ch2-(g): Noodlecake receives the \$9,000 of app game code ordered in (f), pays \$4,000 cash, and promises to pay the remaining \$5,000 next month.

App Software (+A)	9,000
Cash (-A)	4,000
Accounts Payable (+L)	5,000

- 1 Ch3-(f): On September 1, Noodlecake paid \$7,200 in advance for September, October, and November rent.

Prepaid Rent (+A)	7,200
Cash (-A)	7,200

- 2 Ch3-(b): Noodlecake issued three \$100 gift cards at the beginning of September.

Cash (+A)	300
Def.Rev (+L)	300

## Noodlecake – Adjusting Journal Entries (Deferrals)

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- 1 Of the \$600 in supplies previously received, \$250 remain on hand at September 30.

Supplies Expense (+E)	350
Supplies (-A)	350

- 2 Three months of rent were prepaid on September 1 for \$7,200, but one month has now expired, leaving only two months prepaid at September 30.

Rent Expense (+E)	2,400
Prepaid Rent (-A)	2,400

- ③ The computer equipment (\$9,600), which was estimated to last two years, has now been used for one month, representing an estimated expense of \$400.

Depreciation Expense (+E)	400
Accum. Dep. (+XA, -A)	400

- ④ The app software developed for Noodlecake (\$9,000), estimated to have three years of usefulness, has now been used for one month at an estimated expense of \$250.

Amortization Expense (+E)	250
Accum. Amortization (+XA, -A)	250

- ⑤ Noodlecake customers redeemed \$100 of previously issued gift cards as payment for game downloads.

Deferred Revenues (-L)	100
Revenues (+R, +SE)	100

## Noodlecake – Adjusting Journal Entries (Accruals)

- 6 Noodlecake provided \$3,250 of consulting services to other app developers in September, with payment to be received in October.

Accounts Receivable (+A)	3,250
Service Revenue (+R, +SE)	3,250

- 7 Noodlecake owes \$1,950 of wages to employees for work done in the last six days of September.

Wages Expense (+E, -SE)	1,950
Wages Payable (+L)	1,950

- 8 Noodlecake has not paid or recorded the \$100 interest that it owes for this month on its note payable.

Interest Expense (+E, -SE)	100
Interest Payable (+L)	100

- 9 Noodlecake pays income tax at an average rate equal to 20 percent of the company's income before taxes. Income Tax Expense for this month is \$200.

Income Tax Expense (+E, -SE)	200
Income Tax Payable (+L)	200

# T-accounts

- In Ch2, we went through transactions in August.
- In Ch3, we went through transactions in September.
- In Ch4, we are still in September.
- So far, we went through adjustment journal entries required at the end of September.
- We now need to post them to the T-accounts.
- We will start from the T-accounts in Ch3.
- Two types of T-accounts:
  - ▶ Type 1: T-accounts for those NOT affected by AJEs (e.g., Cash)
  - ▶ Type 2: T-accounts for **those affected by AJEs** (e.g., Deferred Revenues)

## Cash (Type 1)

Unadj. Bal. 16,900

Adj. Bal. 16,900

## Deferred Revenues (Type 2)

Unadj. Bal. 300

AJE 100

Adj. Bal. 200

## Transaction 1

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Of the \$600 in supplies previously received, \$250 remain on hand at September 30.

Supplies Expense (+E, -SE)	350
Supplies (-A)	350

### Supplies Expense (E)

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Unadj. Bal. 0

350 (AJE)

Adj. Bal. 350

### Supplies (A)

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Unadj. Bal. 600

350 (AJE)

Adj. Bal. 250

## Transaction 2

Three months of rent were prepaid on September 1 for \$7,200, but one month has now expired, leaving only two months prepaid at September 30.

Rent Expense (+E, -SE)	2,400
Prepaid Rent (-A)	2,400

### Rent Expense (E, SE)

Unadj. Bal. 0

2,400 (AJE)

Adj. Bal. 2,400

### Prepaid Rent (A)

Unadj. Bal. 7,200

2,400 (AJE)

Adj. Bal. 4,800

## Transaction 3

The computer equipment (\$9,600), which was estimated to last two years, has now been used for one month, representing an estimated expense of \$400.

Depreciation Expense (+E, -SE)	400
Accum. Dep. (+XA, -A)	400

### Depreciation Expense (E)

Unadj. Bal. 0

400 (AJE)

Adj. Bal. 400

### Accum. Dep. (XA)

Unadj. Bal. 0

400 (AJE)

Adj. Bal. 400

### Equipment (A)

Unadj. Bal. 9,600

Adj. Bal. 9,600

## Transaction 4

The app software developed for Noodlecake (\$9,000), estimated to have three years of usefulness, has now been used for one month at an estimated expense of \$250.

Amortization Expense (+E, -SE)	250
Accum. Amortization (+XA, -A)	250

### Amortization Expense (E)

Unadj. Bal. 0

250 (AJE)

Adj. Bal. 250

### Accum. Amortization (XA)

Unadj. Bal. 0

250 (AJE)

Adj. Bal. 250

### Software (A)

Unadj. Bal. 9,000

Adj. Bal. 9,000

## Transaction 5

Noodlecake customers redeemed \$100 of previously issued gift cards as payment for game downloads.

Deferred Revenues (-L)	100
Sales Revenues (+R, +SE)	100

### Revenues (R)

Unadj. Bal.	12,000
<u>100 (AJE)</u>	
Adj. Bal.	12,100

### Deferred Revenues (L)

Unadj. Bal.	300
<u>100 (AJE)</u>	
Adj. Bal.	200

## Transaction 6

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Noodlecake provided app development services of \$3,250 to a customer at the end of September. The customer will pay in October.

Accounts Receivable (+A)	3,250
Service Revenue (+R, +SE)	3,250

### Accounts Receivable (A)

Unadj. Bal. 500

3,250 (AJE)

Adj. Bal. 3,750

### Service Revenue (R)

Unadj. Bal. 0

3,250 (AJE)

Adj. Bal. 3,250

## Transaction 7

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Noodlecake owes \$1,950 of wages to employees for work done in the last six days of September.

Wages Expense (+E, -SE)	1,950
Wages Payable (+L)	1,950

### Wages Expense (E)

Unadj. Bal. 7,800

1,950 (AJE)

Adj. Bal. 9,750

### Wages Payable (L)

Unadj. Bal. 0

1,950 (AJE)

Adj. Bal. 1,950

## Transaction 8

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Noodlecake has not paid or recorded the \$100 interest that it owes for this month on its note payable.

Interest Expense (+E, -SE)	100
Interest Payable (+L)	100

Interest Expense (E)	
Unadj. Bal. 0	
<u>100 (AJE)</u>	
Adj. Bal. 100	

Interest Payable (L)	
Unadj. Bal. 0	
<u>100 (AJE)</u>	
Adj. Bal. 100	

## Transaction 9

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Noodlecake pays income tax at an average rate equal to 20 percent of the company's income before taxes. Income Tax Expense for this month is \$200.

Income Tax Expense (+E, -SE)	200
Income Tax Payable (+L)	200

<b>Income Tax Expense (E)</b>	
Unadj. Bal. 0	
<u>200 (AJE)</u>	
Adj. Bal. 200	

<b>Income Tax Payable (L)</b>	
Unadj. Bal. 0	
<u>200 (AJE)</u>	
Adj. Bal. 200	

## Unadjusted Trial Balance to Adjusted Trial Balance

- Update accounts that are affected by AJEs.

<u>Unadjusted Trial Balance</u>		
Account Title	Debit (\$)	Credit (\$)
Cash	16,900	
Accounts Receivable	500	
Supplies	600	
Prepaid Rent	7,200	
Equipment	9,600	
Logo & Trademarks	300	
Software	9,000	
Accounts Payable		10,700
Deferred Revenues		300
Notes Payable		20,000
Common Stock		10,000
Retained Earnings		0
Sales Revenue		12,000
Wages Expense	7,800	
Utilities Expense	600	
Advertising Expense	500	
<b>Total</b>	<b><u>53,000</u></b>	<b><u>53,000</u></b>

<u>Adjusted Trial Balance</u>		
Account Title	Debit (\$)	Credit (\$)
Cash	16,900	
Accounts Receivable	<u>3,750</u>	
Supplies	<u>250</u>	
Prepaid Rent	<u>4,800</u>	
Equipment	9,600	
Accum. Dep.		<u>400</u>
Logo & Trademarks	300	
Software	9,000	
Accum. Amort.		<u>250</u>
Accounts Payable		10,700
Deferred Revenues		<u>200</u>
Notes Payable		20,000
Wages Payable		<u>1,950</u>
Interest Payable		<u>100</u>
Income Tax Payable		<u>200</u>
Common Stock		10,000
Retained Earnings		0
Sales Revenue		<u>12,100</u>
Service Revenue		<u>3,250</u>
Wages Expense	<u>9,750</u>	
Rent Expense	<u>2,400</u>	
Utilities Expense	600	
Advertising Expense	500	
Supplies Expense	<u>350</u>	
Depreciation Expense	<u>400</u>	
Amortization Expense	<u>250</u>	
Interest Expense	<u>100</u>	
Income Tax Expense	<u>200</u>	
<b>Total</b>	<b><u>59,150</u></b>	<b><u>59,150</u></b>

# Relationship between Financial Statements

Noodlecake, Inc.  
**Income Statement**  
 For the Month Ended September 30, 2025

<b>Revenues</b>	
Sales Revenue	\$12,100
Service Revenue	3,250
<b>Total Revenues</b>	<b>15,350</b>
<b>Expenses</b>	
Wages Expense	\$9,750
Rent Expense	2,400
Utilities Expense	600
Advertising Expense	500
Supplies Expense	350
Depreciation Expense	400
Amortization Expense	250
Interest Expense	100
Income Tax Expense	200
<b>Total Expenses</b>	<b>14,550</b>

**Net Income**

**\$800**

Noodlecake, Inc.  
**Statement of Retained Earnings**  
 For the Month Ended September 30, 2025

Beg. Retained Earnings	\$0
+) <b>Net Income</b>	<b>800</b>
-) Dividends	0
<b>End. Retained Earnings</b>	<b>\$800</b>

Noodlecake, Inc.  
**Balance Sheet**  
 As of September 30, 2025

<b>Assets</b>	
Cash	\$16,900
Accounts Receivable	3,750
Supplies	250
Prepaid Rent	4,800
<b>Total Current Assets</b>	<b>\$25,700</b>
Equipment	
Less: Accum. Dep.	
Equipment, net	9,200
Software	
Less: Accum. Amort.	
Software, net	8,750
Logo & Trademarks	300
<b>Total Assets</b>	<b>\$43,950</b>
<b>Liabilities</b>	
Accounts Payable	\$10,700
Deferred Revenues	200
Wages Payable	1,950
Income Tax Payable	200
Interest Payable	100
<b>Total Current Liabilities</b>	<b>\$13,150</b>
Notes Payable	20,000
<b>Total Liabilities</b>	<b>\$33,150</b>
<b>Shareholders' Equity</b>	
Common Stock	\$10,000
<b>Retained Earnings</b>	<b>800</b>
<b>Total Shareholders' Equity</b>	<b>\$10,800</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$43,950</b>

## Recall: Temporary and Permanent Accounts

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- I/S accounts reflect the financial effects of transactions in the current period.
- I/S accounts are temporary.
  
- Paying dividends is cash distribution to shareholders.
- Dividend is a temporary account.
  
- B/S accounts reflect the financial effects of transactions in all periods.
- B/S accounts are permanent.

## Retained Earnings Equation

$$\text{End. RE} = \text{Beg. RE} + \text{Net Income} - \text{Dividends}$$

**Closing Process:** Close all temporary accounts.

- **Revenues** increase Retained Earnings.
- **Expenses** decrease Retained Earnings.
- **Dividends** decrease Retained Earnings.

**In the rest of the packet:**

- We briefly go over the closing process for Revenues and Expenses.
- We do not cover the closing process for Dividends.
- We do not cover the closing journal entries for all temporary accounts.

## Income Statement Equation

Net Income = Revenues - Expenses

- Revenues =  $12,100 + 3,250 = \underline{15,350}$
- Expenses =  $9,750 + 2,400 + 600 + 500 + 350 + 400 + 250 + 100 + 200 = \underline{14,550}$
- Net Income =  $15,350 - 14,550 = \underline{800}$
- Revenue and Expense accounts are closed to Retained Earnings.
  - ▶ Revenue and Expense accounts are initialized to 0.
  - ▶ Retained Earnings are increased by \$800.

## Post Closing Trial Balance

- REV (15,350) and EXP (14,550) accounts are closed to Retained Earnings (800).

<u>Adjusted Trial Balance</u>		
Account Title	Debit (\$)	Credit (\$)
Cash	16,900	
Accounts Receivable	3,750	
Supplies	250	
Prepaid Rent	4,800	
Equipment	9,600	
Accum. Dep.		400
Logo & Trademarks	300	
Software	9,000	
Accum. Amort.		250
Accounts Payable		10,700
Deferred Revenues		200
Notes Payable		20,000
Wages Payable		1,950
Interest Payable		100
Income Tax Payable		200
Common Stock		10,000
<b>Retained Earnings</b>		<b>0</b>
Sales Revenue		<u>12,100</u>
Service Revenue		<u>3,250</u>
Wages Expense	<u>9,750</u>	
Rent Expense	<u>2,400</u>	
Utilities Expense	600	
Advertising Expense	500	
Supplies Expense	<u>350</u>	
Depreciation Expense	<u>400</u>	
Amortization Expense	<u>250</u>	
Interest Expense	<u>100</u>	
Income Tax Expense	<u>200</u>	
<b>Total</b>	<b><u>59,150</u></b>	<b><u>59,150</u></b>

<u>Post Closing Trial Balance</u>		
Account Title	Debit (\$)	Credit (\$)
Cash	16,900	
Accounts Receivable	3,750	
Supplies	250	
Prepaid Rent	4,800	
Equipment	9,600	
Accum. Dep.		400
Logo & Trademarks	300	
Software	9,000	
Accum. Amort.		250
Accounts Payable		10,700
Deferred Revenues		200
Notes Payable		20,000
Wages Payable		1,950
Interest Payable		100
Income Tax Payable		200
Common Stock		10,000
<b>Retained Earnings</b>		<b>800</b>
Sales Revenue		<u>0</u>
Service Revenue		<u>0</u>
Wages Expense	<u>0</u>	
Rent Expense	<u>0</u>	
Utilities Expense	<u>0</u>	
Advertising Expense	<u>0</u>	
Supplies Expense	<u>0</u>	
Depreciation Expense	<u>0</u>	
Amortization Expense	<u>0</u>	
Interest Expense	<u>0</u>	
Income Tax Expense	<u>0</u>	
<b>Total</b>	<b><u>59,150</u></b>	<b><u>59,150</u></b>

In total, we check trial balances three times.

- Trial balance before making adjustments (Ch 3).
- Trial balance after making adjustments (Ch 4).
- Trial balance after closing temporary accounts (Ch 4).

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\*Ch.No. refers to the chapter where the topic is first introduced.