

# Recording Transactions, Performing Month-End Procedures, Recording Year-End Adjusting Entries, and Printing Reports

Overview of Options A, B, and C .....	9-2
<b>Option A—Introduction</b> .....	9-3
Perform Maintenance for Inventory Sales Prices .....	9-4
Record December 16–31 Transactions .....	9-6
Perform December 2022 Month-end Procedures .....	9-15
Record 2022 Year-end Adjusting Entries .....	9-17
Print Financial Statements and Other Reports .....	9-21
Submit Reports and Answers to Assigned Questions .....	9-22
Check Figures .....	9-23
<b>Option B—Introduction</b> .....	9-25
Perform Maintenance for Inventory Sales Prices .....	9-26
Record December 16–31 Transactions .....	9-28
Perform December 2022 Month-end Procedures .....	9-41
Record 2022 Year-end Adjusting Entries .....	9-43
Print Financial Statements and Other Reports .....	9-47
Submit Reports and Answers to Assigned Questions .....	9-48
Check Figures .....	9-49
<b>Option C—Introduction</b> .....	9-51
Perform Maintenance for Inventory Sales Prices .....	9-52
Record December 16–31 Transactions .....	9-54
Perform December 2022 Month-end Procedures .....	9-63
Record 2022 Year-end Adjusting Entries .....	9-64
Print Financial Statements and Other Reports .....	9-68
Submit Reports and Answers to Assigned Questions .....	9-69
Check Figures .....	9-70

## Overview of Options A, B, and C


This chapter has three options depending upon your instructor's preference and your previous experience with a project called the *Systems Understanding Aid*: either the 10th edition manual version (*SUA*) or the 1st edition electronic cloud version (*eSUA*), both published by Armond Dalton Publishers. You will only do one of the three options. Your instructor will inform you which option to do.

- **Option A** — normally assigned to students who have already completed either the *SUA* or the *eSUA* using Transactions List **A** (Document No. 1). This version of the Transactions List has an **A** in the bottom left corner of each page.
- **Option B** — normally assigned to students who have already completed the *SUA* or the *eSUA* using Transactions List **B** (Document No. 1). This version of the Transactions List has a **B** in the bottom left corner of each page.
- **Option C** — normally assigned to students who have not used either the *SUA* or the *eSUA*.



### Navigation Tips



Each chapter's table of Contents entries are hyperlinked to the corresponding pages in that chapter. To quickly jump back to each chapter's table of contents page, click on the  hyperlink in the bottom-left corner of the page.



This icon appears in the top-right corner of every page. Use it to hyperlink to the Reference Material Guide, which contains further links to the detailed Reference Material.

## Option B – Introduction

### Before You Begin - Important Steps!

Before starting your work on this chapter, you need to do three things:

1. **Download the Waren Sports Supply Data Files** – You should have already downloaded the data files for this chapter when you registered on the Armond Dalton Resources website. If you do not have the data, consult the [eMaterials](#) to return to Armond Dalton Resources and download the files.
2. **Accept Your Instructor’s Invitation to Set Up a Shell Company for Waren Sports Supply in QBO** – As described in the [eMaterials](#), your instructor should have sent you an email invitation to set up a shell company for Waren Sports Supply in QBO. If you did not already set up the shell for Waren Sports Supply in QBO, locate the email invitation from your instructor and follow the link in the email to do so. **If you cannot locate the email from your instructor, consult your instructor. The publisher cannot help you with this step.**
3. **View the Company Setup and Data Import Instructional PowerPoint** – To streamline this process, the authors prepared an instructional PowerPoint presentation for you to follow to complete the company setup and data import process in QBO for Waren Sports Supply. This PowerPoint file is in the Company Data Files.zip file you downloaded from the Armond Dalton Resources website. View and follow the steps in the PowerPoint presentation before beginning your work in this chapter. **All steps need to be performed carefully and completely before proceeding with the chapter requirements.**

### Chapter Overview

In this chapter, you will record the same December 16–31, 2022, transactions for Waren Sports Supply that you did in the *Systems Understanding Aid*: either the 10th edition manual version (*SUA*) or the 1st edition electronic cloud version (*eSUA*). You will also complete other activities commonly done with accounting software and print several items to submit to your instructor.

An important difference in this assignment compared to previous ones is the lack of detailed instructions for using QBO to record transactions and perform other activities. You are expected to use the [Reference material](#) for guidance if you need any.

In recording the transactions and performing the other activities for Waren Sports Supply, you will need several things:

1. **Optional Items from the SUA/eSUA** (not required; all necessary information from the SUA/eSUA has been incorporated into this chapter):
  - Instructions & Flowcharts book
  - Ledgers book
  - Journals book
  - All year-end financial statements and schedules you prepared for Waren Sports Supply in the SUA/eSUA.
2. **Information in this chapter.** The material instructs you what to record or do.

3. **Reference Material Guide.** Use this to locate the appropriate pages in the Reference material for recording transactions or doing other activities.
4. **Reference Material.** Consult the appropriate Reference material for the transaction you are recording or other activity you are doing and follow the instructions. In some cases, you will not have practiced using a Reference material section. You should not be concerned about this lack of practice.
5. **Online Homework.** After you have completed the transactions and other requirements for Waren Sports Supply, you may access the questions for Chapter 9 online at the [Armond Dalton Resources](#) website. Consult your instructor about whether you should answer the questions directly online or whether you should download the fillable PDF to complete and submit to your instructor, along with the other requirements of this chapter.
6. **QBO software access and company data import files.**
7. **A printer connected to your computer and/or the ability to print reports to PDF format.**

When you have completed this chapter, you will also submit several reports to your instructor, along with the homework questions for Chapter 9 available on the [Armond Dalton Resources](#) website. Consult your instructor as to whether you should submit these items using the online grading page of the [Armond Dalton Resources](#) website or another method designated by your instructor.

Jim Adams has recorded all transactions for the year 2022 through December 15, 2022, using *QBO*. This is consistent with the *SUA/eSUA*. For this assignment, you will do the following using *QBO*:

- Perform maintenance for inventory sales prices.
- Record December 16–31 transactions.
- Perform December 2022 month-end procedures.
- Record 2022 year-end adjusting entries.
- Print financial statements and other reports.

When you are finished, the financial statements and other results will be comparable to the correct solution for the *SUA/eSUA*.

## Perform Maintenance for Inventory Sales Prices

The price list on page 9-27, taken from the *SUA/eSUA*, reflects the current selling prices for Waren's thirty products. In this section, you will compare the selling price of each product to the amount included in *QBO* and update the software for any differences.

- ▶ *As instructed on page E-11 of the [eMaterials](#), right-click on the bookmark you created for the QBO student login page and open it in Incognito mode. Open Waren Sports Supply.*
- ▶ *Perform maintenance for inventory sales prices for each inventory item, following the guidance in the [Reference material](#). Be sure to save after each inventory item is changed before proceeding to the next inventory item.*

**PRICE LIST**  
As of December 15, 2022

Item No.	Description	Selling Price
BA-054 & RET BA-054	Premium aluminum bat	\$203.00
BA-158 & RET BA-158	Baseballs–12 game balls	63.00
BA-199 & RET BA-199	Fielding glove	72.00
BA-281 & RET BA-281	60 lb. dry line marker	87.00
BA-445 & RET BA-445	Catcher’s mask	66.00
BA-507 & RET BA-507	Baseball equipment bag	36.00
BA-667 & RET BA-667	Ball bucket with seat–set of 3	34.00
BA-694 & RET BA-694	Batting gloves–1 pair	37.00
BA-807 & RET BA-807	Pitching machine	221.00
BA-859 & RET BA-859	Set of bases	173.00
BB-008 & RET BB-008	Basketball	35.00
BB-019 & RET BB-019	Basketball pole pad	135.00
BB-113 & RET BB-113	Scoreboard and timer	400.00
BB-267 & RET BB-267	Goal and rim set	133.00
BB-358 & RET BB-358	Backboard	116.00
BB-399 & RET BB-399	Basketball net	14.00
BB-431 & RET BB-431	Whistle and lanyard–set of 6	38.00
BB-538 & RET BB-538	Basketball bag	38.00
BB-688 & RET BB-688	Portable inflation pump	110.00
BB-926 & RET BB-926	Trainer’s first aid kit	41.00
FB-027 & RET FB-027	Shoulder pad set	125.00
FB-091 & RET FB-091	Hip, tail, arm pad set	58.00
FB-225 & RET FB-225	Football helmet	89.00
FB-344 & RET FB-344	Football	29.00
FB-513 & RET FB-513	Portable storage locker	219.00
FB-573 & RET FB-573	Kicking tees–set of 6	21.00
FB-650 & RET FB-650	Football post pad	146.00
FB-812 & RET FB-812	Collapsible cones–set of 8	40.00
FB-874 & RET FB-874	Sideline repair kit	124.00
FB-952 & RET FB-952	Portable hand warmer	38.00

As shown in the first column of the table above, be sure that you also adjust the ‘RET’ (Inventory Return Items) sales prices to the correct amounts as you just did for the regular inventory items. *QBO* handles returns as separate inventory items for *Waren*, so if you have to change the sales price of an item, you will need to do it twice: once for the item and once for the ‘RET’ of that same item.

After you complete inventory sales price maintenance, the *QBO* will contain the correct default sales price for each inventory item. These sales prices are used for all sales and returns of inventory between December 16 and December 31, 2022. You should recheck the amounts to make sure they are all correct before you proceed.

## Record December 16-31 Transactions

The transactions on pages 9-29 through 9-40 for December 16–31 are the same as the transactions you recorded in the *SUA/eSUA*, except where noted. Events and information that are not necessary to process the transactions in *QBO* have been removed. In addition, supplemental information from the *SUA/eSUA* documents has been incorporated into the *QBO* transactions list so that you do not need the transactions list or the documents from the *SUA/eSUA* to complete this section.

The information you have already learned about *QBO* in Chapters 2 through 8 is used throughout the rest of this chapter. You should use the *QBO* [Reference material](#) and information from prior chapters to the extent you need it. Also, if you want to check whether information was recorded and correctly included, use the *QBO* menus to view transactions, as you did in earlier chapters. You can also compare each transaction you record in *QBO* to the result you obtained in the *SUA/eSUA* journals book, although this is not required.

All default general ledger distribution accounts are correct for Waren’s December 16–31 transactions unless otherwise noted on pages 9-29 through 9-40.

## WAREN SPORTS SUPPLY TRANSACTIONS FOR DECEMBER 16–31, 2022

▶ Record each of the following transactions (No. 1 through 28) using QBO.

- Hints are provided in boxed areas like this.

Use care in recording each transaction. **You should follow each step in the Quick Reference Table for each transaction.** It may take slightly more time, but it will almost certainly help you avoid serious errors. Find the appropriate Quick Reference Table for each transaction or other activity by using the [Reference Material Guide](#).

**Trans.**  
No.    Dec.

1            16

**Make a credit sale:** Received customer Purchase Order No. 53426 in the mail from Rosemont University (Customer 406), approved their credit, prepared Invoice No. 731 totaling \$13,580 and shipped the goods from the warehouse. Payment terms were 2% 10/Net 30. The following goods were shipped (only 35 shoulder pad sets were available for shipment out of the 75 that were ordered):

Product/Service (or Variant) & SKU	Description	Qty
BB-267	Goal and rim set	25
BB-358	Backboard	20
FB-027	Shoulder pad set	35
FB-225	Football helmet	40

Trans.  
No.    Dec.  
 2        16

**Collect an account receivable:** Received an email notification from First American Bank and Trust of an ACH payment received from Branch College (Customer 408). The ACH payment of \$1,622.88 was for payment in full of sales Invoice No. 730. The early payment discount taken by Branch College was \$33.12. Enter ACH in the Payment method box and use the + Add option to add this payment method.

- Be sure to edit the invoice with the amount of the discount for early payment before recording the collection from Branch College. See the instructions in the [Reference material](#).
- Because this is an electronic payment, the “Deposit to” account should be the cash account. There is no need to record a bank deposit for electronically received funds.

3        16

**Prepare a purchase order:** Ordered the following inventory on account from Velocity Sporting Goods (Vendor 252) using Purchase Order No. 328. The goods will be received at the warehouse at a later date. The goods were shipped by Interstate Motor Freight. The purchase order total is \$25,335.

Product/Service (or Variant) & SKU	Description	Qty
BB-019	Basketball pole pad	115
BB-538	Basketball bag	125
BB-431	Whistle and lanyard - set of 6	75
BB-399	Basketball net	50
FB-027	Shoulder pad set (to cover back order and inventory restock)	100



## Trans.

No.    Dec.

4        19

**Receive goods on a purchase order:** Received office supplies from Chicago Office Supply (Vendor 253) as listed on Purchase Order No. 327, which is shown as an open purchase order in *QBO*. Chicago Office Supply's vendor Invoice No. 2378 was received with the goods, totaling \$830.25 including sales tax of \$47.00. The payment terms on the invoice were Net 30. All supplies ordered on Purchase Order No. 327 were received in good condition and taken to the office.

- Recall that you should have entered Purchase Order No. 327 after you imported all other data files for Waren Sports Supply. If you did not do this step, return to the Waren PowerPoint presentation and prepare the purchase order.
- Remember to enter the sales tax portion of the invoice in the Category details section of the Bill window. Enter A/C #40300 (Office Supplies Expense) in the Category box, type "sales tax" in the Description box, and enter the sales tax amount in the Amount box. See steps I through L in the [Reference material](#).

5        19

**Receive a miscellaneous cash receipt:** Borrowed \$90,000 from First American Bank and Trust (Vendor 264) by issuing a two-year note payable. Received an email notification from the bank that the \$90,000 proceeds were electronically deposited into Waren's checking account.

- The credit portion of the transaction should be posted to A/C #21100 (Notes Payable).
- Miscellaneous cash receipts are processed through the Bank Deposit window (see instructions in the [Reference material](#)).

6        20

**Purchase non-inventory items or services without a purchase order — payment made at time of purchase:** Received vendor Invoice No. 105963 for \$1,710 from First Security Insurance (Vendor 260) for the fourth quarter's health insurance coverage for employees and immediately issued Check No. 1152 for payment in full.

<u>Trans. No.</u>	<u>Dec.</u>	
7	20	<p><b>Receive goods on a purchase order:</b> Received merchandise from Velocity Sporting Goods (Vendor 252) as listed on Purchase Order No. 328, along with Invoice No. 34719. The payment terms on the invoice are 2% 10/Net 30. All merchandise listed on the purchase order was delivered in good condition and in the quantities ordered, except that only 77 basketball pole pads (Item No. BB-019) were received. The total of the invoice is \$21,763. The goods were placed immediately in the inventory warehouse.</p>
8	21	<p><b>Make a credit sale:</b> Filled the backorder quantity of 40 shoulder pad sets (Item No. FB-027) for Rosemont University's Purchase Order # 53426. Approved Rosemont's credit and shipped the back ordered shoulder pad sets. Prepared Invoice No. 732 totaling \$5,000 for the sale to Rosemont. Payment terms were 2% 10/Net 30.</p>
9	23	<p><b>Write off an uncollectible account receivable:</b> Received legal notification from Benson, Rosenbrook, and Martinson, P.C., attorneys at law, that Stevenson College (Customer 411) is unable to pay any of its outstanding debts to its suppliers. The \$2,900 balance remaining on Invoice No. 719 should therefore be written off as uncollectible.</p>

- Follow the instructions in the [Reference material](#) carefully, including selecting "write off" in the Product/Service box of the Credit Memo window.
- Be sure to carefully follow steps N through U of the [Reference material](#) to apply the credit memo to the proper outstanding invoice.

**Trans.**  
**No.**    **Dec.**

**10**      **23**

**Process a sales return or allowance (credit memo):** Eastern Wisconsin University (Customer 410) returned 10 basketball pole pads (RET BB-019) and 8 scoreboard and timer sets (RET BB-113) that were originally purchased on Invoice No. 729. Waren previously authorized EWU by phone to return the goods for credit against their account balance. EWU's Return Request No. R8034 was received with the goods. Sales return document CM 42 was issued for \$4,550 and applied to Invoice No. 729.

- Be sure to select the "RET" version of each inventory item when processing the sales return in the Credit Memo window (step E in the [Reference material](#)).
- Make sure to apply the credit memo to Invoice No. 729, following steps M through T in the [Reference material](#).

**11**      **27**

**Collect an account receivable and make a deposit:** Received and deposited Check No. 49326 for \$12,000 from Eastern Wisconsin University (Customer 410) in partial payment of the remaining amount (after sales return) on Invoice No. 729.

- After recording the customer payment, record the deposit into the bank on the same day using the Bank Deposit window (see instructions in the [Reference material](#)).

Trans.  
No.      Dec.  
12        27

**Make a cash sale and make a deposit:** Received and deposited Check No. 47852 for \$5,835 from Hawkins College (CASHCUSTOMER) for a cash sale. The goods were shipped from the warehouse and the cash sale was processed and recorded (Invoice No. C-30 in the *SUA/eSUA*). All goods ordered were shipped as follows:

Product/Service & SKU	Description	Qty
BB-008	Basketball	30
FB-091	Hip, tail, arm pad set	45
FB-344	Football	75

■ After recording the cash receipt, record the deposit into the bank on the same day using the Bank Deposit window (see instructions in the [Reference material](#)).

13        28

**Purchase non-inventory items or services without a purchase order — payment made at time of purchase:** Received vendor Invoice No. 72654 for \$1,590 from the University Athletic News (Vendor 254) for advertisements Warren ran during the Christmas season and immediately issued Check No. 1153 for payment in full.

14        28

**Purchase non-inventory items or services without a purchase order — payment made at time of purchase:** Received Freight Bill No. 26245 for \$738.15 from Interstate Motor Freight (Vendor 255) and immediately issued Check No. 1154 for payment in full. The freight bill is for the merchandise received from Purchase Order No. 328.

Trans.  
No.    Dec.  
15      28

**Make a credit sale:** Made a special promotional sale on account to University of Southern Iowa (USI, Customer 409), using Invoice No. 733, totaling \$7,624.00. For the promotion, Waren agreed to a 20% reduction in the selling prices of the items sold. USI did not submit a purchase order for the sale. The following goods were shipped from the warehouse for this sale:

Product/Service (or Variant) & SKU	Description	Qty
BA-281	60 lb. dry line marker	30
BA-859	Set of bases	40

16      29      **Pay a vendor’s outstanding invoice:** Issued an electronic payment (#E-53431) for \$21,327.74 to Velocity Sporting Goods (Vendor 252) for payment in full of Invoice No. 34719. Recall that this invoice was for goods received December 20. The early payment discount taken by Waren was \$435.26.

- Recall that you first need to record the discount in the Bill window before paying the invoice using the Pay Bills window. Follow steps A through G in the [Reference material](#).

17      29      **Receive goods on a purchase order:** Received but did not pay for three standing workstations from Chicago Office Supply (Vendor 253) ordered on Waren’s Purchase Order No. 325, which is shown as an open purchase order in QBO. Also received vendor’s Invoice No. 2423 from Chicago Office Supply, totaling \$1,256.10 including sales tax of \$71.10. The payment terms on the invoice were Net 30. The workstations were received in new and undamaged condition in the warehouse. After they were unpacked and inspected, they were taken directly to the office.

- Recall that you should have entered Purchase Order No. 325 after you imported all other data files for Waren Sports Supply. If you did not do this step, return to the Waren PowerPoint presentation and prepare the purchase order.
- Remember to enter the sales tax portion of the invoice in the Category details section of the Bill window. Enter A/C #10800 (Fixed Assets) in the Category box, type “sales tax” in the Description box, and enter the sales tax amount in the Amount box. See steps I through L in the [Reference material](#).

## Trans.

No.	Dec.
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18	30
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**Prepare a general journal entry to sell a fixed asset:** Sold two bookshelves to an employee, Nancy Ford, for \$260. Nancy will pay this amount to Waren in January of 2023. The bookshelves were purchased for a cost of \$896 on September 30, 2016. The bookshelves were fully depreciated at the end of 2021.

- The receivable from Nancy Ford should be posted to A/C #10210 (Accounts Receivable from Employees) and the gain/loss on the sale should be posted to A/C #30900 (Gain/Loss on Sale of Fixed Assets).
- Type Ford in the Name box on the line for account 10210 and select + Add new to add Ford in the Customer category when prompted. QBO will not allow posting to an account receivable account without a corresponding customer record.

19	30
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**Collect an account receivable:** Received an email notification from First American Bank and Trust for an ACH payment of \$7,471.52 from University of Southern Iowa (Customer 409) in payment of Invoice No. 733 (see Transaction No. 15 on page 9-35 for the original sale transaction). The early payment discount taken by USI was \$152.48.

- Be sure to edit the invoice with the amount of the discount for early payment before recording the collection from University of Southern Iowa. See the instructions in the [Reference material](#).
- Because this is an electronic payment, the “Deposit to” account should be the cash account. There is no need to record a bank deposit for electronically received funds.

Trans.  
No.    Dec.  
 20        30

**Semi-monthly payroll (see link in blue box below):** Finished the payroll for the semi-monthly pay period December 16–31, 2022, and issued Check Nos. 1155 through 1157. Thoroughly read the information in the following table before you process the checks to employees.

Recall from earlier chapters that *QBO* only allows payroll processing within six months of the current user date. Because the project in this chapter uses a fixed month and year (December 2022), we will not use the Payroll module for Waren Sports Supply. Paychecks for Waren’s three employees will be processed using the Checks window. Because of this, Waren’s three employees were not imported along with the company’s vendors when you completed the import work for this chapter.

For this transaction, you will enter each employee’s paycheck using the Check window and the payroll transaction information from the following table. Follow the instructions in the [Reference material](#) to process each check. Use 12/30/22 for the Payment date and use a separate line in the Category Details section of the window to enter each of the line items shown in the table for each employee.

Category selection:	Ray Kramer Check #1155	Jim Adams Check #1156	Nancy Ford Check #1157
40500 Wages and Salaries Expense	\$3,575.00	\$2,171.54	\$1,764.90
20300 Federal Income Tax Withheld	(312.00)	(193.00)	(75.00)
20400 State Income Tax Withheld	(167.58)	(98.11)	(73.29)
20700 FICA Taxes Payable	(546.98)	(332.26)	(270.02)
40600 Payroll Tax Expense	273.49	166.13	208.25
20500 State Unemployment Taxes Payable	-	-	(62.65)
20600 Federal Unemployment Taxes Payable	-	-	(10.59)
<b>Check figure for net pay (Check amount)</b>	<b>\$2,821.93</b>	<b>\$1,714.30</b>	<b>\$1,481.60</b>

Trans.

No.    Dec.

**21**        **30**        **Receive a miscellaneous cash receipt:** Received an email notification from First American Bank and Trust for \$1,142 of dividend income received from Central Brokerage (Received from 262). The dividends were earned on various common stocks in the marketable securities general ledger account.

- The credit portion of the transaction should be posted to A/C #31100 (Interest Dividend Income).
- Miscellaneous cash receipts are processed through the Bank Deposit window (see instructions in the [Reference material](#)).

**22**        **30**        **Receive a miscellaneous cash receipt:** Sold 218 shares of Lucas Corporation common stock for \$24.00 per share. The shares were originally purchased on July 11, 2022, for \$19.00 per share plus a commission of \$98. Central Brokerage retained a commission of \$122 on the sale and sent the net proceeds of \$5,110 via ACH payment to Waren. Received an email notification from First American Bank and Trust for this ACH cash receipt. Either recompute the amounts for this transaction now or obtain the correct amounts from the *SUA/eSUA* cash receipts journal.

- Use two separate lines in the Bank Deposit window to record the stock sale: one for the amount to be credited to marketable securities and one to be credited to gain/loss on the sale of marketable securities.
- The following accounts should be used for this transaction: A/C #10100 (Cash), A/C #10600 (Marketable Securities), and A/C #31000 (Gain/Loss on Sale of Marketable Securities).

**23**        **30**        **Purchase non-inventory items or services without a purchase order – payment made at time of purchase:** Purchased 164 shares of Henry Corporation (Vendor 262) common stock for \$28.00 per share plus commission of \$88. Immediately issued an electronic payment to Central Brokerage using ACH Payment Authorization No. E-53432. Either recompute the amounts for this transaction now, or obtain the correct information from the *SUA/eSUA* general journal.

- The debit portion of the transaction should be posted to A/C #10600 (Marketable Securities).



**Trans.**  
**No.**    **Dec.**

**24**      **30**      **Prepare a general journal entry:** The Board of Directors declared a \$2.75 per share dividend on the 3,000 shares of \$75 par value common stock outstanding. The dividends will be payable on January 31, 2023, to all stockholders of record as of January 25, 2023. Either recompute the amounts for this transaction now, or obtain the correct information from the *SUA/eSUA* general journal.

- Use the following accounts for the general journal entry: A/C #29010 (Dividends Declared) and A/C #20900 (Dividends Payable).

**25**      **30**      **Purchase non-inventory items or services without a purchase order — payment made at time of purchase:** Issued a \$8,000 ACH payment to First American Bank and Trust (Vendor 264) for partial payment on the bank note, which included no payment for interest. ACH Payment Authorization No. E-53433 was used to initiate the ACH payment. The terms on the back of the bank note stipulate that prepayments such as this one can be made without early payment penalty. For purposes of your year-end adjusting journal entry for interest, note that this payment will not reach the bank until January 3, 2023.

- The debit portion of the transaction should be posted to A/C #21100 (Notes Payable).

**26**      **30**      **Purchase non-inventory items or services without a purchase order — payment made at time of purchase:** Issued Check No. 1158 for \$4,800 to First Security Insurance for the premium on Waren's six-month liability insurance policy. The policy period runs from December 1, 2022, to June 1, 2023. First Security's invoice number was 106742.

- The expense portion of the transaction should be posted to A/C #41000 (Other Operating Expenses), while the prepaid portion of the transaction should be posted to A/C #10500 (Prepaid Expenses).

Trans.

No.Dec.

27

30

**Receive a miscellaneous cash receipt:** The company signed an agreement to sublease an office in its building to Leverett & Associates at a monthly rental rate of \$1,089. In connection with the sublease, Waren received a \$3,267 ACH payment from Leverett & Associates covering rent for the first quarter of 2023.

- Type Leverett & Associates in the Received From box of the Bank Deposit window and select + Add new to add Leverett & Associates as a Customer name type.
- The credit portion of the transaction should be posted to A/C #21200 (Unearned Revenue).

28

30

**Reverse a write off, collect an account receivable, and make a deposit (see Reference material links in the hint box below):** Received check No. 34982 for \$1,000 from Stevenson College. The check was received along with notification from Stevenson’s attorneys, Benson, Rosenbrook, and Martinson, P.C., stating that Stevenson was able to pay \$1,000 of the \$2,900 balance due from the charge invoice No. 719 prior to Stevenson’s final bankruptcy filing. Recall that the full \$2,900 balance due from the invoice was written off as uncollectible on December 23, 2022.

- To reinstate \$1,000 of the balance of invoice No. 719 that was previously written off as uncollectible, follow the instructions in the [Reference material](#) for making a credit sale with the following modifications. Type “reverse write off” in the Invoice no. box. Select write off in the Product/Service box, accept the default entries for the Description and Qty boxes, and then type 1000 in the Rate box.
- Record the account receivable collection using the instructions in the [Reference material](#).
- After recording the cash receipt, record the deposit into the bank on the same day using the Bank Deposit window (see instructions in the [Reference material](#)).

## Perform December 2022 Month-end Procedures

Because many of Waren's month-end procedures are done automatically by QBO, the only month-end procedures you will need to perform are:

- Prepare the December bank reconciliation.
- Print a customer monthly statement.

### Check Figure for Your Cash Balance

Before starting the December bank reconciliation, be sure that your cash balance is correct by completing the following steps:

- ▶ *Open the Chart of Accounts icon and check the cash account (account #10100) balance in the Quickbooks Balance column.*

Examine the ending balance in the cash account at 12/31/22. The balance should be \$111,751.62. If the cash balance in your window differs significantly from this amount, return to the December 16–31 transactions to locate and correct any errors before starting the bank reconciliation. When your cash balance is correct, continue with the requirements that follow.

### Bank Reconciliation Information, Process, and Printing

The following information is taken from the December bank statement and the November bank reconciliation, neither of which is included in these materials:

- The December 31, 2022, bank statement balance is \$131,549.53.
- The following checks and ACH payments have not cleared the bank as of December 31:
  - Check Nos. 1118, 1142, 1152, 1153, 1154, 1155, 1156, 1157, and 1158
  - ACH #E-53431, #E-53432, and #E-53433
- The following deposits have not cleared the bank as of December 31, 2022:
  1. The December 27 account receivable collection from Eastern Wisconsin University.
  2. The December 27 cash sale proceeds from Hawkins College.
  3. The December 30 account receivable collection from University of Southern Iowa.
  4. The December 30 receipt of dividend income.
  5. The December 30 deposit from the Henry Corporation stock sale.
  6. The December 30 deposit of rent from Leverett & Associates.
  7. The December 30 account receivable collection from Stevenson College.
- ACH fees and service charges totaling \$25.50 are included on the December bank statement.
 

**Note:** These fees and charges should be posted to A/C #41000 (Other Operating Expense).

  - ▶ *Prepare the December bank reconciliation using the instructions in the [Reference material](#). The cutoff date for the bank reconciliation is December 31, 2022.*
  - ▶ *When the reconciliation is correct, click Finish Now button. After finishing the reconciliation, you can review the bank reconciliation by clicking on the Review Reconciliation Report link.*
  - ▶ *Print a PDF of the bank reconciliation. You will submit this report to your instructor later, along with year-end reports.*

## Print a Customer Monthly Statement

At the end of each month, Waren sends monthly statements to all customers with an outstanding balance. For this section, you are to print the December monthly statement for Eastern Wisconsin University.

- ▶ Follow the instructions in the [Reference material](#) to print a PDF of the December 2022 customer statement for Eastern Wisconsin University. You will submit this report to your instructor later, along with year-end reports.

## Print a General Ledger Trial Balance for Check Figures Prior to Year-end Adjusting Entries

The trial balance on page 9-49 shows the correct balances in all general ledger accounts after the December month-end procedures are completed.

- ▶ Click the Reports menu, then use the search box to locate and open the Trial Balance report.
- ▶ Scroll to the top of the report and enter the date range of 01/01/2022 to 12/31/2022, then click Run Report.
- ▶ To save time in the future, click the Save Customization button, then click Save to save the custom report. This step will place a customized version of the trial balance report in the Custom tab of the Reports are in QBO.

Compare the amounts on your printed trial balance with those on page 9-49. If any amounts are different, return to the December 16–31 transactions and the month-end procedures you processed in QBO and make the necessary corrections using the procedures you learned in earlier chapters. When you are satisfied that your trial balance is correct, print a PDF to submit to your instructor later with year-end reports.

You can also compare the amounts on your printed trial balance with those included in the *SUA/eSUA* year-end unadjusted trial balance (part of the year-end worksheet). All account balances should agree if your solution to the *SUA/eSUA* was correct, except inventory-related accounts, bad debt expense, and the allowance for doubtful accounts. **Note:** Ignore any minor rounding differences in the cash and payroll-related accounts. Inventory-related account balances do not agree because of the use of different inventory methods. The balances in inventory-related accounts, bad debt expense, and the allowance account will agree after adjusting entries are completed. See the following page for a discussion of the inventory methods used in the *SUA/eSUA* and in the QBO project.

When your balances agree with those on page 9-49, go to the following section where you will record year-end adjusting entries.

## Record 2022 Year-end Adjusting Entries

The next step at the end of an accounting year before printing output is to record year-end adjusting entries. The following are the types of year-end adjustments required for Waren:

- Inventory adjustment to the physical count
- Depreciation expense
- Accrued interest payable
- Bad debt expense and allowance
- Cost of goods sold for freight and sales discounts taken
- Federal income taxes

Each of the year-end adjustments is explained in a section that follows. Perform the procedures in the order listed.

### Adjust Perpetual Inventory Records

Recall that in the *SUA/eSUA* you were provided with the ending dollar balance in inventory and you adjusted to that total. That system was a periodic inventory system. *QBO* uses a perpetual system, which provides a current inventory balance after each transaction. At year-end, the perpetual records are adjusted to a physical count to adjust for obsolescence, theft, or accounting errors.

The physical count was taken on December 31. A comparison of the physical count and the perpetual records showed a difference for certain items. Management is concerned about these inventory differences but knows that the physical count is accurate. Thus, the perpetual records must be adjusted as follows to agree with the physical count:

Product or Variant/ SKU	Description	Qty on Hand (per perpetual records)	New Qty (per physical count)
BB-019	Basketball pole pad	98 (88 regular, 10 returns)	101 (91 regular, 10 returns)
FB-027	Shoulder pad set	159 (all regular)	147 (all regular)
BA-158	Baseballs–12 balls	156 (all regular)	162 (all regular)

- ▶ Record the inventory adjustments in *QBO* following the guidance in the [Reference material](#). Select A/C #30400 (Cost of Goods Sold) in the Inventory adjustment account box.

After the inventory adjustments have been processed, record the remaining five year-end adjusting entries through the General Journal Entry window.

- ▶ Use the information in the following five sections to record each of the remaining year-end adjusting entries by preparing a general journal entry in QBO following the guidance in the [Reference material](#).

## Depreciation Expense

Recall from the *SUA/eSUA* that depreciation expense is calculated once at the end of each year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (five or ten years for Waren's existing fixed assets). Waren's depreciation expense for Waren for 2022 totaled \$34,779.31.

## Accrued Interest Payable

Recall from Transaction No. 5 on page 9-31 that Waren has a \$90,000 two-year note payable to First American Bank and Trust, dated December 19, 2022. The stated annual interest rate on the note is 5.5%. The terms of the note payable call for the following payments:

- \$4,950 interest payments on 12/19/23 and 12/19/24
- \$90,000 principal payment on 12/19/24

Recall from the *SUA/eSUA* that interest accruals are calculated using a 365-day year with the day after the note was made counting as the first day. General ledger account numbers for the journal entry are: A/C #40800 (Interest Expense) and A/C #21000 (Interest Payable). Either enter the correct amount on the online grading portion of the [Armond Dalton Resources](#) website or show your calculation on the Chapter 9 homework pages available for download on the website (consult your instructor).

## Bad Debt Expense and Allowance

Bad debt expense is estimated once annually at the end of each year as 1/4 of one percent (0.0025) of net sales and is recorded in the general journal as of December 31. As explained in Chapter 7, Waren uses the direct write-off method during the year and then the allowance method at year-end. General ledger account numbers for the journal entry are: A/C #40900 (Bad Debt Expense) and A/C #10300 (Allowance for Doubtful Account). In order to balance out the Allowance for Doubtful Account and Bad Debt Expense account due to the direct write-off to Bad Debt Expense, you must readjust the Bad Debt Expense account to equal the 1/4 of one percent (0.0025) calculation of net sales. Either enter the correct amount of the final balance in the bad debt expense account on the online grading portion of the [Armond Dalton Resources](#) website or show your calculation on the Chapter 9 homework pages available for download on the website (consult your instructor).

- Determine the amount of net sales by examining a profit and loss report on the screen for 2022. You will need to scroll up to the top of the report and change the report date range to 01/01/22 to 12/31/22 before clicking the Run report button. Consult the balance in Bad Debt Expense before you prepare the adjusting journal entry to adjust the balance to equal the proper percentage of net sales described above.
- Before closing the report, click the Save Customization button, rename the report to Income Statement, and then click the Save button. This step will save a copy of the 2022 income statement in the Custom reports tab of the Reports window so that you can more easily run the report later.
- Select “write off” in the Name box when entering the line with the credit to A/C #10300 (Allowance for Doubtful Accounts).

## Cost of Goods Sold

*QBO* automatically debits cost of goods sold and credits inventory for the product cost for each sale. The inventory account is also automatically updated for inventory purchases and purchases returns. Therefore, the *QBO* data does not include the following accounts from the *SUA/eSUA*: A/C #30500 (Purchases) and A/C #30600 (Purchase Returns and Allowance). Waren treats purchase discounts taken and freight-in as a part of cost of goods sold but records them in separate accounts during the accounting period. Therefore, these two accounts must be closed to A/C #30400 (Cost of Goods Sold): A/C #30700 (Purchases Discounts Taken) and A/C #30800 (Freight-In).

- Before preparing the general journal entry, determine the balance in each account being closed to cost of goods sold by examining the 2022 income statement from the Custom reports tab of the Reports window. Alternatively, consult the trial balance you printed earlier.

## Federal Income Taxes

Recall from the *SUA/eSUA* that the corporate income tax rate is 21% for all regular corporations such as Waren. General ledger account numbers for the journal entry are: A/C #40700 (Federal Income Tax Expense) and A/C #20800 (Federal Income Taxes Payable). Either enter the correct amount on the online grading portion of the [Armond Dalton Resources](#) website or show your calculation on the Chapter 9 homework pages available for download on the website (consult your instructor).

- After all other adjusting entries are recorded, determine 2022 pre-tax income by examining the 2022 income statement from the Custom reports tab of the Reports window.

## Print a General Ledger Trial Balance for Check Figures After Year-end Adjusting Entries

The trial balance on page 9-50 shows the correct balances in all general ledger accounts after the year-end adjusting entries are recorded.

- ▶ *Open the 12/31/2022 trial balance for Waren from the Custom reports tab of the Reports window. Compare the amounts in your window to the correct balances. If there are differences, return to the year-end adjusting entries and make the necessary corrections. After you determine that your trial balance is correct, print a PDF of the 12/31/22 trial balance. You will submit this report to your instructor along with year-end reports.*

You can also compare the amounts on your printed trial balance with those included in the *SUA/eSUA* year-end adjusted trial balance (part of the year-end worksheet). All account balances should agree if your *SUA/eSUA* solution was correct.

When your balances agree with those on page 9-50, go to the following section where you will print financial statements and other reports. All entries have now been recorded.



## Print Financial Statements and Other Reports

All of the following reports are to be submitted to your instructor either uploaded to the online grading page of [Armond Dalton Resources](#) or another method directed by your instructor.

- ▶ *Print the following reports (print to PDF is best if submitting online). Use the Search box in the Reports window to access each of the reports below.* You may need to change start and/or end dates to generate the proper date or time period reported.

1. 12/31/22 balance sheet
2. 2022 income statement (called Profit and Loss in QBO reports)
3. General journal for December 2022\*
4. Accounts Receivable Aging Summary as of 12/31/22\*\*
5. Accounts Payable Aging Summary as of 12/31/22
6. Inventory Valuation Summary as of 12/31/22
7. Sales journal for December 2022\*
8. Cash receipts journal for December 2022\*
9. Purchases journal for December 2022\*
10. Cash disbursements journal for December 2022\*

You can compare the reports printed using QBO to the reports you prepared in the SUA/eSUA. Note that because QBO does not include detailed transaction data for Waren Sports Supply prior to 12/15/22, the December journals in QBO will only reflect activity for the second half of December. The exception is the transaction detail in the sales journal for the two December sales invoices that were open as of 12/15/22: Invoices 729 and 730.

### NOTES:

\* To generate the various December journals, complete the following steps for each:

- ▶ Type "Journal" in the Search box to locate and open the Journal report.
- ▶ Click the "Switch to classic view" button above the Filter button.
- ▶ Select a date range of 12/01/2022 to 12/31/22.
- ▶ Click the Customize button to open the Customize report window.
- ▶ Expand the Filter section and select the appropriate Transaction Type(s):
  - General Journal - Journal Entry
  - Sales Journal - Invoice and Credit Memo
  - Cash Receipts Journal - Payment, Deposit and Sales Receipt
  - Purchases Journal - Bill
  - Cash Disbursements Journal - Check and Bill Payment (Check)
- ▶ Click Header/Footer to expand this section. Type a descriptive report name in the Name box.
- ▶ Click the Run Report button.
- ▶ After printing a PDF of the report, consider clicking the Save customization button in the top right corner to save the report in the Custom Reports tab of the Reports window. Name each report accordingly (December General Journal, December Sales Journal, etc.)

\*\* The default setting for this report includes the "write-off" customer, which will include the allowance account. To include only customers 406 through 411, complete the following steps:

- ▶ Click the Customize button to open the Customize report window.
- ▶ Expand the Filter section and click the Customers check box.
- ▶ Use the adjacent drop-down list to select customers 406 through 411.
- ▶ Click the Run Report button.
- ▶ After printing a PDF of the report, consider clicking the Save customization button in the top right corner to save the report in the Custom Reports tab of the Reports window.

## Submit Reports and Answers to Assigned Questions

Submit the following to your course instructor either uploaded to the online grading page of the [Armond Dalton Resources](#) site or another method directed by your instructor.

- All ten reports just listed
- December 2022 bank reconciliation that you already printed
- Customer monthly statement for Eastern Wisconsin University that you already printed
- The two trial balances that you already printed, before and after year-end adjustments
- Chapter 9 homework questions available on the [Armond Dalton Resources](#) website (calculations for accrued interest payable, bad debt expense, and federal income tax expense).

All procedures are now complete for this chapter.

# Check Figures

## Waren Sports Supply

Trial Balance

As of December 31, 2022

	DEBIT	CREDIT
10100 Cash	111,726.12	
10200 Accounts Receivable	45,007.00	
10210 Accounts Rec from Employees	260.00	
10300 Allow for Doubtful Accounts		3,250.81
10400 Inventory	196,312.00	
10500 Prepaid Expenses	4,000.00	
10600 Marketable Securities	24,440.00	
Payments to deposit	0.00	
10800 Fixed Assets	328,392.10	
10900 Accumulated Depreciation		80,663.50
20100 Accounts Payable		5,736.35
20300 Federal Income Tax Withheld		1,137.00
20400 State Income Taxes Withheld		664.52
20500 State Unemployment Taxes Pay.		116.84
20600 Fed. Unemployment Taxes Pay.		19.75
20700 FICA Taxes Payable		2,256.98
20900 Dividends Payable		8,250.00
21200 Unearned Revenue		3,267.00
21100 Notes Payable		82,000.00
26000 Common Stock		225,000.00
29000 Retained Earnings		90,264.99
29010 Dividends Declared	8,250.00	
Opening balance equity		
30100 Sales		1,596,420.00
30200 Sales Returns and Allowances	62,181.00	
30300 Sales Discounts Taken	15,558.30	
30400 Cost of Goods Sold	1,022,302.00	
30700 Purchases Discounts Taken		16,718.86
30800 Freight-in	24,897.84	
40100 Rent Expense	57,600.00	
40200 Advertising Expense	22,395.00	
40300 Office Supplies Expense	5,892.55	
40500 Wages and Salaries Expense	140,216.24	
40600 Payroll Tax Expense	12,007.70	
40900 Bad Debt Expense	3,400.00	
41000 Other Operating Expense	34,025.75	
30900 G/L on Sale of Fixed Assets		260.00
31000 G/L on Sale of Mkt. Securities		870.00
31100 Interest/Dividend Income		1,142.00
31200 Miscellaneous Revenue		825.00
<b>TOTAL</b>	<b>\$2,118,863.60</b>	<b>\$2,118,863.60</b>

## Waren Sports Supply

Trial Balance

As of December 31, 2022

	DEBIT	CREDIT
10100 Cash	111,726.12	
10200 Accounts Receivable	45,007.00	
10210 Accounts Rec from Employees	260.00	
10300 Allow for Doubtful Accounts		3,647.51
10400 Inventory	195,778.00	
10500 Prepaid Expenses	4,000.00	
10600 Marketable Securities	24,440.00	
Payments to deposit	0.00	
10800 Fixed Assets	328,392.10	
10900 Accumulated Depreciation		115,442.81
20100 Accounts Payable		5,736.35
20300 Federal Income Tax Withheld		1,137.00
20400 State Income Taxes Withheld		664.52
20500 State Unemployment Taxes Pay.		116.84
20600 Fed. Unemployment Taxes Pay.		19.75
20700 FICA Taxes Payable		2,256.98
20800 Federal Income Taxes Payable		37,776.21
20900 Dividends Payable		8,250.00
21000 Interest Payable		162.74
21200 Unearned Revenue		3,267.00
21100 Notes Payable		82,000.00
26000 Common Stock		225,000.00
29000 Retained Earnings		90,264.99
29010 Dividends Declared	8,250.00	
Opening balance equity		
30100 Sales		1,596,420.00
30200 Sales Returns and Allowances	62,181.00	
30300 Sales Discounts Taken	15,558.30	
30400 Cost of Goods Sold	1,031,014.98	
30700 Purchases Discounts Taken	0.00	
30800 Freight-in	0.00	
40100 Rent Expense	57,600.00	
40200 Advertising Expense	22,395.00	
40300 Office Supplies Expense	5,892.55	
40400 Depreciation Expense	34,779.31	
40500 Wages and Salaries Expense	140,216.24	
40600 Payroll Tax Expense	12,007.70	
40700 Federal Income Tax Expense	37,776.21	
40800 Interest Expense	162.74	
40900 Bad Debt Expense	3,796.70	
41000 Other Operating Expense	34,025.75	
30900 G/L on Sale of Fixed Assets		260.00
31000 G/L on Sale of Mkt. Securities		870.00
31100 Interest/Dividend Income		1,142.00
31200 Miscellaneous Revenue		825.00
<b>TOTAL</b>	<b>\$2,175,259.70</b>	<b>\$2,175,259.70</b>