

	A	B	C	D	E	F	G
1	ADJUSTING ENTRIES--THREE STATEMENT FORMAT						
2	ABC Company						
3	Worksheet as of December 31, 2009 (000s omitted)						
4	Adjusting Entries						
5		Unadjusted	Dr.	<i>(Code)</i>	Cr.	<i>(Code)</i>	Adjusted
6	INCOME STATEMENT:						
7	Sales	400					
8	Cost of sales	(210)					
9	Gross Profit	190					
10	Operating exp. (Mkt., G&A, R&D) ...	(120)					
11	Other income (expense), net	(10)					
12							
13	Net Income	60					
14	STMT. OF RET. EARNINGS:						
15	Balances, 12/31/08	230					
16	+ Net income	60					
17	- Dividends	(40)					
18	Balances, 12/31/09	250					
19	BALANCE SHEET:						
20	Cash	70					
21	Accounts receivable	80					
22	Inventory	300					
23	Property & equipment	370					
24	Accumulated depreciation.	(160)					
25	Total Assets	660					
26	Payables & accruals	160					
27	8% Bonds pay. (5 yr.--due 1/1/11).	150					
28	Common stock (no par)	100					
29	Retained earnings	250					
30	Total Liab. & St. Equity	660					
31	<i>Proof of Bal. Sht. debit and credit postings....</i>						
32	INSTRUCTIONS:						
33	A. Post the following two year-end audit adjusting entries to the worksheet:						
34	1. Depreciation expense on factory equipment is <u>understated</u> by \$3,000						
35	(\$2,000 for manufacturing equipment and \$1,000 for office machines						
36	used in the accounting department).						
37	2. Inventory is <u>understated</u> by \$8,000 as a result of a pricing error						
38	in pricing out the year-end physical inventory.						
39							
40	B. Complete the worksheet:						
41	1. <u>All</u> rows must add across <u>horizontally</u> .						
42	2. <u>All</u> four columns must root <u>vertically</u> .						
43	3. Code your entries (number them) on the worksheet in parentheses.						
44	4. Ignore income tax effects.						