# Exam 2 Learning Commons Review - Chapters 4-6

## Chapter 4

1. The Trial Balance of Laurie Rental Agency on March 31 of the current year includes the following selected accounts before adjusting entries have been prepared.

| | Debit | Credit |
|---|---|---|
| Prepaid Insurance | $ 3,000 | |
| Supplies | 2,000 | |
| Equipment | 40,000 | |
| Accumulated Depreciation—Equipment | | $12,500 |
| Notes Payable | | 20,000 |
| Deferred Revenue | | 9,000 |
| Dividends | 1,000 | |
| Rent Revenue | | 35,000 |
| Salaries and Wages Expense | 15,000 | |

An analysis of the accounts shows the following.

a. The equipment depreciates $500 per month.
b. Two-thirds of the Deferred Rent Revenue was earned during the month.
c. Consulting services earned during the month but not yet collected or billed to clients amounted to $1,500
d. Supplies on hand total $800.
e. A one year insurance policy was paid for on March 1 of the current year.

Journalize the adjusting entries at March 31, assuming that adjusting entries are made <u>monthly</u>. Additional accounts are: Depreciation Expense, Interest Expense, Insurance Expense, Supplies Expense, and Interest Payable.

| ACCOUNT | DEBIT | CREDIT |
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## Chapter 6

Rhea Office Supply Co. uses a perpetual inventory system. During September, the following transactions occurred.

Sept. 6 Purchased 70 calculators from Danny Co. for $1,400 on account.
10 Returned 5 calculators with a cost of $100 to Danny Co. that did not meet specifications.
12 Sold 30 calculators for $900 to Great Big Book Store on account. The calculators cost $600.
14 Granted credit to Great Big Book Store for the return of 5 calculators (Sales price $150, Cost $100).
21 Paid Danny Co. for the Sept. 6 purchase.
22 Received payment from Great Big Book Store.

**Instructions:**
a) Journalize the September transactions.

| ACCOUNT | DEBIT | CREDIT |
|---|---|---|
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**Instructions:**

b) What amount would Rhea report as net sales in the September income statement?

c) What amount would Rhea report as gross profit in the September income statement?

d) What is the gross profit percentage?