
College Accounting



Chapter 6: Worksheets for a Service Business

Goals of Chapter 6:



- Define accounting terms related to a worksheet for a service business organized as a proprietorship
- Identify accounting concepts and practices related to a worksheet for a service business organized as a proprietorship
- Prepare a heading and a trial balance on a worksheet
- Plan adjustments for supplies and prepaid insurance
- Complete a worksheet for a service business
- Identify selected procedures for finding and correcting errors in accounting records

Creating a Worksheet

- Accounting information (from general ledger) must be put into some form in order to be useful.
 - Organized
 - Analyzed
 - Summarized
 - Reported

Accounting Concept: 

- **Consistent Reporting**: applied when the same accounting procedures are followed in the same way in each accounting period.

Creating a Worksheet

- Fiscal Period: the length of time for which a business summarizes and reports financial information – also called accounting period.

Accounting Concept: 

- Accounting Period Concept: applied when changes in financial information are reported for a specific period of time in the form of financial statements.
 - Monthly
 - Quarterly (every 3 mos.)
 - Semi-annually (every 6 mos.)
 - Annually (every 12 mos.)
- Financial information is always summarized and reported at the end of the fiscal period.

Creating a Worksheet

Worksheet: A columnar accounting form used to summarize the general ledger information needed to prepare financial statements.

Accountants use worksheets for 4 reasons:

1. Prove the debits equal credits (trial balance columns)
2. Plan needed adjustments to general ledger accounts to bring them current (adjustments columns)
3. Separate general ledger account balances according to the financial statements to be prepared (balance sheet & income statement columns)
4. Calculate net income or net loss for a fiscal period

Creating a Worksheet

PREPARING THE HEADING OF A WORK SHEET

Heading contains 3 lines

The diagram illustrates the three-line heading of a worksheet. It consists of three horizontal lines, each containing a line of text. To the right of each line is a numbered callout box (1, 2, or 3) and a corresponding label box. The first line contains the text "TechKnow Consulting" and is labeled "1 Name of Company". The second line contains the text "Work Sheet" and is labeled "2 Name of Report". The third line contains the text "For Month Ended August 31, 20--" and is labeled "3 Date of Report".

<i>TechKnow Consulting</i>	1	Name of Company
<i>Work Sheet</i>	2	Name of Report
<i>For Month Ended August 31, 20--</i>	3	Date of Report

PREPARING A TRIAL BALANCE ON A WORKSHEET

Trial Balance: proof of the equality of debits & credits from ledger.

TechKnow Consulting		
Work Sheet		
For Month Ended August 31, 20--		
ACCOUNT TITLE	TRIAL BALANCE	
	DEBIT	CREDIT
1 Cash	496400	
2 Petty Cash	10000	
3 Accts. Rec.—Oakdale School	15000	
4 Accts. Rec.—Campus Internet Cafe	10000	
5 Supplies	102500	
6 Prepaid Insurance	120000	
7 Accts. Pay.—Supply Depot		20000
8 Accts. Pay.—Thomas Supply Co.		5000
9 Kim Park, Capital		500000
10 Kim Park, Drawing	62500	
11 Income Summary		
12 Sales		356500
13 Advertising Expense	21300	
14 Insurance Expense		
15 Miscellaneous Expense	2800	
16 Rent Expense	30000	
17 Supplies Expense		
18 Utilities Expense	11000	
19	881500	881500
20		

1. Write the general ledger account titles.
2. Write the general ledger debit account balances. Write the general ledger credit account balances.
3. Rule a single line across the two Trial Balance columns.
4. Add both the Trial Balance Debit and Credit columns.
5. Write each column's total below the single line.
6. Rule double lines across both Trial Balance columns.

PLANNING ADJUSTMENTS ON A WORKSHEET

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- **Adjustments**: changes recorded on a worksheet to update general ledger accounts at the end of a fiscal period.

Accounting Concept: 

- **Matching Expenses with Revenue**: *applied when revenue from business activities and expenses associated with earning that revenue are recorded in the same accounting period.*
- The **Worksheet** is used to plan out adjustments that will later be journalized & posted.

SUPPLIES ADJUSTMENT ON A WORK SHEET

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS	
	DEBIT	CREDIT	DEBIT	CREDIT
	5 <i>Supplies</i>	102500		(a) 71500
17 <i>Supplies Expense</i>			(a) 71500	

3

2

1

Supplies Account Balance 8/31 \$1,025.00	Supplies Actually on Hand 8/31 \$ 310.00	Supplies Used During August \$ 715.00
---	---	--

BEFORE ADJUSTMENT

Supplies Expense	
Aug. 31 Bal.	1,025.00

Supplies	
Aug. 31 Bal.	1,025.00

AFTER ADJUSTMENT

Supplies Expense	
Adj. (a)	715.00

Supplies			
Aug. 31 Bal.	1,025.00	Adj. (a)	715.00
(New Bal.)	310.00		

1. Write the debit amount.
2. Write the credit amount.
3. Label the two parts of this adjustment.

PREPAID INSURANCE ADJUSTMENT ON WORKSHEET

ACCOUNT TITLE	1		2		3		4	
	TRIAL BALANCE				ADJUSTMENTS			
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT		
6 <i>Prepaid Insurance</i>	120000				(b) 10000			
14 <i>Insurance Expense</i>			(b) 10000					

BEFORE ADJUSTMENT

Insurance Expense	
Aug. 31 Bal.	1,200.00

Prepaid Insurance	
Aug. 31 Bal.	1,200.00

Prepaid Insurance	Insurance	Insurance
Account Balance	Coverage Unused	Coverage Used
8/31	on 8/31	During August
\$1,200.00	\$ 1,100.00	\$ 100.00

AFTER ADJUSTMENT

Insurance Expense	
Adj. (b)	100.00

Prepaid Insurance	
Aug. 31 Bal.	1,200.00
(New Bal.)	1,100.00

1. Write the debit amount.
2. Write the credit amount.
3. Label the two parts of this adjustment.

PROVING THE ADJUSTMENTS COLUMNS OF A WORK SHEET

<i>TechKnow Consulting</i>					
<i>Work Sheet</i>					
<i>For Month Ended August 31, 20--</i>					
		1	2	3	4
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		
	DEBIT	CREDIT	DEBIT	CREDIT	
17 <i>Supplies Expense</i>			(a) 715 00		
18 <i>Utilities Expense</i>	110 00				
19	881 500	881 500	81 500	81 500	

1. Rule a single line.
2. Add both the Adjustments Debit and Credit columns. Write each column's total.
3. Rule double lines.

ACCOUNT TITLE	1		2		3		4		5		6		7		8			
	TRIAL BALANCE				ADJUSTMENTS				INCOME STATEMENT				BALANCE SHEET					
	DEBIT		CREDIT		DEBIT		CREDIT		DEBIT		CREDIT		DEBIT		CREDIT			
1																	1	
2																		2
3																		3
4																		4
5																		5
6																		6
7																		7
8																		8
9																		9
10																		10
11																		11
12																		12
13																		13
14																		14
15																		15
16																		16
17																		17
18																		18
19																		19
20																		20
21																		21

PREPARING A WORK SHEET

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Steps for Preparing a Worksheet

1. Write the heading.
2. Record the trial balance and total debit & credit columns
3. Record the supplies adjustment.
4. Record the prepaid insurance adjustment.
5. Prove the Adjustments columns.
6. Extend all balance sheet account balances.
7. Extend all income statement account balances.
8. Calculate and record the net income (or net loss).
9. Total and rule the Income Statement and Balance Sheet columns.

1

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Work Sheet

For Month Ended August 31, 20--

	ACCOUNT TITLE	1		2		3		4		5		6		7		8	
		TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET									
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT		
1																	1
2																	2
3																	3
4																	4
5																	5
6																	6
7																	7
8																	8
9																	9
10																	10
11																	11
12																	12
13																	13
14																	14
15																	15
16																	16
17																	17
18																	18
19																	19
20																	20
21																	21

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Work Sheet

For Month Ended August 31, 20--

ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Cash	496400						496400	
Petty Cash	10000						10000	
Accts. Rec.—Oakdale School	15000						15000	
Accts. Rec.—Campus Internet Cafe	10000						10000	
Supplies	102500		(a) 71500				31000	
Prepaid Insurance	120000		(b) 10000				110000	
Accts. Pay.—Supply Depot		20000						20000
Accts. Pay.—Thomas Supply Co.		5000						5000
Kim Park, Capital		500000						500000
Kim Park, Drawing	62500						62500	
Income Summary								
Sales		356500				356500		
Advertising Expense	21300				21300			
Insurance Expense			(b) 10000		10000			
Miscellaneous Expense	2800				2800			
Rent Expense	30000				30000			
Supplies Expense			(a) 71500		71500			
Utilities Expense	11000				11000			
	881500	881500	81500	81500	146600	356500	734900	525000
Net Income					209900			209900
					356500	356500	734900	734900

EXTENDING BALANCE SHEET ACCOUNT BALANCES ON A WORK SHEET

BALANCE SHEET: a financial statement that reports **assets**, **liabilities** and **owner's equity** as of a **specific** date.

TechKnow Consulting									
Work Sheet									
For Month Ended August 31, 20--									
	1	2	3	4	5	6	7	8	
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
1 Cash	496 400						496 400		1
2 Petty Cash	100 00						100 00		2
3 Accts. Rec.—Oakdale School	150 00						150 00		3
4 Accts. Rec.—Campus Internet Cafe	100 00						100 00		4
5 Supplies	10 250 00			(a) 715 00			31 000		5
6 Prepaid Insurance	120 000			(b) 100 00			110 000		6
7 Accts. Pay.—Supply Depot		200 00						200 00	7
8 Accts. Pay.—Thomas Supply Co.		500 00						500 00	8
9 Kim Park, Capital		500 000 00						500 000 00	9
10 Kim Park, Drawing	6 250 00						6 250 00		10

1. Debit balances without adjustments
2. Debit balances with adjustments
3. Credit balances without adjustments

EXTENDING INCOME STATEMENT ACCOUNT BALANCES ON A WORK SHEET

INCOME STATEMENT: a financial statement showing the **revenue** and **expenses** for a **fiscal** period.

TechKnow Consulting								
Work Sheet								
For Month Ended August 31, 20--								
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
11 <i>Income Summary</i>								
12 <i>Sales</i>		3 5 6 5 0 0				3 5 6 5 0 0		
13 <i>Advertising Expense</i>	2 1 3 0 0				2 1 3 0 0			
14 <i>Insurance Expense</i>			(b) 1 0 0 0 0		1 0 0 0 0			
15 <i>Miscellaneous Expense</i>	2 8 0 0				2 8 0 0			
16 <i>Rent Expense</i>	3 0 0 0 0				3 0 0 0 0			
17 <i>Supplies Expense</i>			(a) 7 1 5 0 0		7 1 5 0 0			
18 <i>Utilities Expense</i>	1 1 0 0 0				1 1 0 0 0			
19	8 8 1 5 0 0	8 8 1 5 0 0	8 1 5 0 0	8 1 5 0 0				
20								

1. Sales balance
2. Expense balances without adjustments
3. Expense balances with adjustments

RECORDING NET INCOME, AND TOTALING AND RULING A WORK SHEET

TechKnow Consulting								
Work Sheet								
For Month Ended August 31, 20--								
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Cash	106400						106400	
Income Summary								
Sales		356500				356500		
Advertising Expense	21300				21300			
Insurance Expense			(b) 10000		10000			
Miscellaneous Expense	2800				2800			
Rent Expense	30000				30000			
Supplies Expense			(a) 71500		71500			
Utilities Expense	11000				11000			
	881500	881500	81500	81500	146600	356500	734900	525000
Net Income					209900			209900
					356500	356500	734900	734900

- 1. Single rule
- 2. Totals
- 3. Net income

- 4. Extend net income
- 5. Single rule

- 6. Totals
- 7. Double rule

CALCULATING AND RECORDING A NET LOSS ON A WORK SHEET

ACCOUNT TITLE	5		6		7		8		
	INCOME STATEMENT				BALANCE SHEET				
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
19									
20									
21									
22									

19									
20	220000	180000	510000	550000					
21	220000	220000	550000	550000					
22									

19									
20	Net Loss								
21									
22									

1. Single rule
2. Totals
3. Net loss
4. Extend net loss

Errors on Worksheets

Typical errors:

- Journal entry not posted
- Information not transferred correctly from ledger to worksheet trial balance
- Recording adjustment information incorrectly
- Adding columns incorrectly
- Errors extending the balances to the balance sheet and income statement columns

Errors on Worksheets

When 2 columns are not in balance, subtract the smaller total from the larger to find the difference.

Typical Calculation Errors:

- The difference is 1, such as \$.01, \$.10, \$1.00 or \$10.00 – most likely addition error
- The difference can be divided evenly by 2 – Look for $\frac{1}{2}$ the difference...the amount may have been recorded as a debit rather than a credit or vice versa
- The difference can be divided evenly by 9 – look for transposed numbers – Ex: 54 written as 45.
 - Slide – numbers moved to the right or left: \$12 written as \$120.
- The difference is an omitted amount – look for an amount equal to the difference that may not have been extended.

Errors on Worksheets

Preventing Errors:

- Be careful
- Check your work frequently – PROVE
- Use a calculator
- Once you find an error – Fix it before going on
- Most errors are math errors – work carefully

See Table top of page 168 for Tips for Checking for Errors on the Worksheet

CORRECTING AN ERROR IN POSTING TO THE WRONG ACCOUNT

ACCOUNT <i>Supplies</i>		ACCOUNT NO. 130				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Feb. 1		1	400 00		400 00	
25		2	90 00		490 00	
12		1	50 00		540 00	

2 Correct entry

ACCOUNT <i>Prepaid Insurance</i>		ACCOUNT NO. 140				
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Feb. 9		1	600 00		600 00	
12		1	50 00		650 00	

1 Incorrect entry

1. Draw a line through the entire incorrect entry. Recalculate the account balance and correct the work sheet.
2. Record the posting in the correct account. Recalculate the account balance, and correct the work sheet.

CORRECTING AN INCORRECT AMOUNT

ACCOUNT <i>Utilities Expense</i>				ACCOUNT NO. 550			
DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
²⁰⁻⁻ Sept.	8		1	700⁰⁰		700⁰⁰	
	17		1	2700	2700	673 ⁰⁰	

1. Draw a line through the incorrect amount.
2. Write the correct amount just above the correction in the same space.
3. Recalculate the account balance, and correct the account balance on the work sheet.

CORRECTING AN AMOUNT POSTED TO THE WRONG COLUMN

ACCOUNT <i>Utilities Expense</i>				ACCOUNT NO. <i>550</i>			
DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
²⁰⁻⁻ <i>Sept.</i>	<i>8</i>		<i>1</i>	700⁰⁰		700⁰⁰	
	<i>17</i>		<i>1</i>	<i>2700</i>	2700	<i>673⁰⁰</i>	

4. Draw a line through the incorrect item in the account.
5. Record the posting in the correct amount column.
6. Recalculate the account balance, and correct the work sheet.

TERMS REVIEW

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- fiscal period
- work sheet
- trial balance
- Adjustments
- balance sheet
- income statement
- net income
- net loss