

Adjustments

Directions:

Answer the following questions using the provided scenarios.

1. Journalize the *Adjustment for Depreciation* scenario. Redland Enterprises purchases a company car for \$30,000. The company believes the car will have a useful life of five years and will be worth \$5,000 after five years. Redland Enterprises will depreciate the car using the straight-line method. Enter the adjusted entry at the end of each year of the car's five-year lifespan.

| <u>Account Name</u> | <u>Debit</u> | <u>Credit</u> |
|------------------------------------|--------------|---------------|
| Depreciation Expense | | |
| Accumulated Depreciation: Vehicles | | |

2. Journalize the *Merchandise Inventory Adjustment* scenario. The balance of the Inventory in the beginning of the accounting period was \$25,000. The balance in the account at the end of the accounting period is \$15,000. Record the following adjusted entry.

| <u>Account Name</u> | <u>Debit</u> | <u>Credit</u> |
|-----------------------|--------------|---------------|
| Income Summary | | |
| Merchandise Inventory | | |

| <u>Account Name</u> | <u>Debit</u> | <u>Credit</u> |
|-----------------------|--------------|---------------|
| Merchandise Inventory | | |
| Income Summary | | |

3. Compute the *Retained Earnings* scenario. BDX has \$400,000 of net income in its current year, pays out \$150,000 for dividends, and has a beginning retained earnings balance of \$1,200,000.

(Beginning retained earnings) + (Net income) - (Dividends) = (Ending Retained Earnings)

_____ + _____ - _____ = _____