

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

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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 C – Introduction

BEFORE YOU BEGIN – IMPORTANT STEPS!

You will need to do three things before starting Chapter 9. Complete all three items now before working on the chapter requirements.

1. **Accept your instructor’s email invitation to set up Waren Sports Supply** – Your instructor should have sent you an email invitation for setting up Waren Sports Supply in QBO. This is similar to the email invitation you accepted for Jackson Supply Company for the requirements you completed Chapters 4 through 8. Regardless of the instructions in your instructor’s invitation email, it is important that you follow the instructions in the link below to accept your instructor’s invitation to set up Waren Sports Supply in QBO. **If you have not received this email invitation, consult your instructor. The publisher cannot help you with this step.**

[Waren Initial Setup Procedures](#)

2. **Download Waren Sports Supply’s company data files** – Before starting work on this chapter’s requirements you will need to download data files for Waren’s chart of accounts, customers, vendors, inventory items, and open customer invoices. These data files are in a zip file called Waren Company Data.zip. **DO NOT OPEN THE EXCEL OR CSV FILES.** If you accidentally open any of the files after extracting the zip file, delete the zip file and download it again. Download this zip file now using the link below.

[Waren Company Data Files](#)

After downloading the zip file, extract the file to see the zip file contents. **REMEMBER: DO NOT OPEN THE EXCEL OR CSV FILES!** Doing so may change date field formats and interfere with proper importing of the data. After extracting the zip file, you should see the following Excel and CSV files to use for the import process:

- Waren Chart of Accounts.xlsx (Canadian QBO users: file name is “Waren Chart of Accounts – Canadian QBO.xlsx”)
- Waren Customers.xlsx
- Waren Vendors.xlsx
- Waren Inventory Items Excel file.xlsx
- Waren Inventory Items CSV file.csv
- Waren Open Invoices.csv

3. **Complete the setup procedures for Waren Sports Supply** – After completing steps 1 and 2 above, follow the setup and data import procedures detailed in the document found in the link below.

[Waren Data Import and Final Setup Procedures](#)

Chapter Overview

In this chapter, you will record transactions for an existing company, Waren Sports Supply, for December 16-31, 2022. You will also complete other activities commonly done with accounting software and print several items to submit to your instructor.

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

1. **Information in this chapter.** The material instructs you what to record or do.
2. **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.
3. **Online Homework.** After you have completed the transactions and other requirements for Waren Sports Supply, you may access the questions for Chapter 9 online on your course page for this text.
4. **QBO software access and company data import files.**
5. **The ability to print reports to PDF format.**

When you have completed this chapter, you will submit several reports to your instructor, along with the homework questions for Chapter 9 available on your course page for this text.

Waren Sports Supply is a distributor of sporting goods to colleges and universities in the Midwest. Waren's accountant has recorded all transactions for the year 2022 through December 15, 2022, using QuickBooks Online (*QBO*). 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.

Perform Maintenance for Inventory Sales Prices

The price list on page 9-58, reflects the current selling prices for Waren's thirty products. Waren purchases all products for resale from one vendor, Velocity Sporting Goods. Waren sells each inventory item at the same price to all customers. A new price list is prepared each time there is a change in an item's cost or selling price. 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.

- ▶ *Use the Google Chrome Incognito bookmark you created in Chapter 4 to log into your Intuit account.*
- ▶ *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	\$208.00
BA-158 & RET BA-158	Baseballs–12 game balls	61.00
BA-199 & RET BA-199	Fielding glove	67.00
BA-281 & RET BA-281	60 lb. dry line marker	96.00
BA-445 & RET BA-445	Catcher’s mask	65.00
BA-507 & RET BA-507	Baseball equipment bag	37.00
BA-667 & RET BA-667	Ball bucket with seat–set of 3	36.00
BA-694 & RET BA-694	Batting gloves–1 pair	39.00
BA-807 & RET BA-807	Pitching machine	225.00
BA-859 & RET BA-859	Set of bases	165.00
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	144.00
BB-358 & RET BB-358	Backboard	128.00
BB-399 & RET BB-399	Basketball net	16.00
BB-431 & RET BB-431	Whistle and lanyard–set of 6	36.00
BB-538 & RET BB-538	Basketball bag	38.00
BB-688 & RET BB-688	Portable inflation pump	99.00
BB-926 & RET BB-926	Trainer’s first aid kit	46.00
FB-027 & RET FB-027	Shoulder pad set	137.00
FB-091 & RET FB-091	Hip, tail, arm pad set	58.00
FB-225 & RET FB-225	Football helmet	94.00
FB-344 & RET FB-344	Football	29.00
FB-513 & RET FB-513	Portable storage locker	223.00
FB-573 & RET FB-573	Kicking tees–set of 6	23.00
FB-650 & RET FB-650	Football post pad	150.00
FB-812 & RET FB-812	Collapsible cones–set of 8	36.00
FB-874 & RET FB-874	Sideline repair kit	126.00
FB-952 & RET FB-952	Portable hand warmer	36.00

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 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.

All default general ledger distribution accounts are correct for Waren's December 16–31 transactions unless otherwise noted on pages 9-60 through 9-67.

The following is background information that you will need to record Waren's December 16–31 transactions.

Bank

Waren uses only one bank, First American Bank and Trust, for all deposits, checks, and ACH payments, including payroll.

Credit Terms for Waren Sports Supply

Waren requires most of its customers to prepay for goods ordered. For these cash sales, the customer sends a check or electronic payment with its purchase order and Waren ships the merchandise. All trade discounts are already factored into the price list. Only a few favored customers with long-standing relationships with Waren and those who buy larger quantities are granted credit. These favored customers receive the following cash discount for early payment: 2/10, Net 30.

Waren receives a similar cash discount from its main inventory supplier, Velocity Sporting Goods (2/10, Net 30). No cash discount is offered by Chicago Office Supply, whose invoices are payable upon receipt. All discount terms have already been included as default information in QuickBooks.

Sales Tax for Waren Sports Supply

Waren Sports Supply makes only wholesale sales, which are exempt from state sales tax. Because Waren purchases all of its inventory items for resale, there is also no sales tax on its inventory purchases. Sales tax of 6% applies to office supplies and fixed asset purchases.

Inventory Method

Waren uses the perpetual inventory method. All purchases of inventory are debited directly to the inventory account. Cost of goods sold for each sale is calculated automatically by *QBO*. Waren conducts a year-end physical inventory count and adjusts the perpetual inventory records as necessary. You will make those adjustments later.

WAREN SPORTS SUPPLY TRANSACTIONS FOR DECEMBER 16–31, 2022

▶ Record each of the following transactions (No. 1 through 17) 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.** Links to the appropriate sections of the Reference material are included in each transaction.

Trans.	
No.	Dec.

1	16
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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 \$14,030 and shipped the goods from the warehouse. Payment terms were 2% 10/Net 30. All goods ordered were shipped as follows:

Product/Service (or Variant) & SKU	Description	Qty
BB-267	Goal and rim set	25
BB-358	Backboard	20
FB-027	Shoulder pad set	30
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

<u>Trans. No.</u>	<u>Dec.</u>
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	<u>Receive a miscellaneous cash receipt:</u> 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.
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- 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	<u>Purchase non-inventory items or services without a purchase order — payment made at time of purchase:</u> 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.
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<u>Trans. No.</u>	<u>Dec.</u>	
7	20	<p>Receive goods on a purchase order: 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 79 basketball pole pads (Item No. BB-019) were received. The total of the invoice is \$21,951. The goods were placed immediately in the inventory warehouse.</p>
8	21	<p>Make a credit sale: Filled the backorder quantity of 45 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 \$6,165 for the sale to Rosemont. Payment terms were 2% 10/Net 30.</p>
9	23	<p>Write off an uncollectible account receivable: 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. Wren 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). 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.

<u>No.</u>	<u>Dec.</u>	
15	29	Pay a vendor's outstanding invoice: Issued an electronic payment (#E-53431) for \$21,511.98 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 \$439.02.
16	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 <i>QBO</i> . 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 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](#).

- 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.
 17 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	\$3,700.00	\$2,222.51	\$1,804.12
20300 Federal Income Tax Withheld	(327.00)	(205.00)	(79.00)
20400 State Income Tax Withheld	(173.77)	(100.63)	(75.23)
20700 FICA Taxes Payable	(566.10)	(340.06)	(276.02)
40600 Payroll Tax Expense	283.05	170.03	212.88
20500 State Unemployment Taxes Payable	-	-	(64.05)
20600 Federal Unemployment Taxes Payable	-	-	(10.82)
Check figure for net pay (Check amount)	\$2,916.18	\$1,746.85	\$1,511.88

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 \$110,899.78. 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, and 1157
 - ACH #E-53431
- The December 27 deposits from Eastern Wisconsin University and Hawkins College have not cleared the bank as of December 31.
- 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 9-75 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 9-75. 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.

When your balances agree with those on page 9-75, 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

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	100 (90 regular, 10 returns)	103 (93 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 Inventory Count as the Adjustment Reason and then 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

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 9-62 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

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). Save your calculation as you may be asked to submit the amount and show your calculation in the end-of-chapter homework.

Bad Debt Expense and Allowance

Bad debt expense is estimated once annually at the end of each year as $\frac{2}{5}$ of one percent (0.004) 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 $\frac{2}{5}$ of one percent (0.004) calculation of net sales. Save your calculation as you may be asked to submit the amount and show your calculation in the end-of-chapter homework.

- 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. 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

Assume 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). Save your calculation as you may be asked to submit the amount and show your calculation in the end-of-chapter homework.

- 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 9-76 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.*

When your balances agree with those on page 9-76, 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

You will be required to submit the following reports on your course page for this text. Save each report with the following naming convention: report name_student name.

- ▶ *Print (to PDF) the following reports. 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*

NOTES:

* 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. 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.
- ▶ Select "Custom dates" in the Report period box and then select a date range of 12/01/2022 to 12/31/22.
- ▶ Click the Filter button 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)
- ▶ To edit the report name, click the edit (pencil) icon next to the report name (Journal) showing at the top of the report. Type a descriptive report name in the Name box.
- ▶ Click the Run Report button.
- ▶ After printing a PDF of the report, click the "Save as" option from the Save button drop-down list and 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 Refresh report in the upper-right corner of the report.
- ▶ After printing a PDF of the report, click the Save customization button in the top-right corner to save the report in the Custom Reports tab of the Reports window.

Submit Answers to Assigned Questions and Upload Reports

The homework for this chapter consists of (1) answering three questions and (2) uploading the ten reports just listed, as well as the following reports you already printed/saved earlier in the chapter:

- December 2022 bank reconciliation
- Customer monthly statement for Eastern Wisconsin University
- Trial balance before year-end adjusting entries
- Trial balance after year-end adjusting entries

Complete any homework assigned by your instructor on your course page for this text. All procedures are now complete for this chapter.

Check Figures

Waren Sports Supply

Trial Balance

As of December 31, 2022

	DEBIT	CREDIT
10100 Cash	110,874.28	
10200 Accounts Receivable	46,622.00	
10300 Allow for Doubtful Accounts		3,250.81
10400 Inventory	202,890.00	
10600 Marketable Securities	24,000.00	
Payments to deposit		
10800 Fixed Assets	329,288.10	
10900 Accumulated Depreciation		81,559.50
20100 Accounts Payable		5,736.35
20300 Federal Income Tax Withheld		1,168.00
20400 State Income Taxes Withheld		675.17
20500 State Unemployment Taxes Pay.		118.24
20600 Fed. Unemployment Taxes Pay.		19.98
20700 FICA Taxes Payable		2,289.90
21100 Notes Payable		90,000.00
26000 Common Stock		225,000.00
29000 Retained Earnings		90,264.99
Opening balance equity		
30100 Sales		1,590,411.00
30200 Sales Returns and Allowances	62,181.00	
30300 Sales Discounts Taken	15,405.82	
30400 Cost of Goods Sold	1,015,912.00	
30700 Purchases Discounts Taken		16,722.62
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	140,431.43	
40600 Payroll Tax Expense	12,025.79	
40900 Bad Debt Expense	4,400.00	
41000 Other Operating Expense	33,225.75	
31200 Miscellaneous Revenue		825.00
TOTAL	\$ 2,108,041.56	\$ 2,108,041.56

Waren Sports Supply

Trial Balance

As of December 31, 2022

	DEBIT	CREDIT
10100 Cash	110,874.28	
10200 Accounts Receivable	46,622.00	
10300 Allow for Doubtful Accounts		4,902.11
10400 Inventory	202,356.00	
10600 Marketable Securities	24,000.00	
Payments to deposit		
10800 Fixed Assets	329,288.10	
10900 Accumulated Depreciation		116,338.81
20100 Accounts Payable		5,736.35
20300 Federal Income Tax Withheld		1,168.00
20400 State Income Taxes Withheld		675.17
20500 State Unemployment Taxes Pay.		118.24
20600 Fed. Unemployment Taxes Pay.		19.98
20700 FICA Taxes Payable		2,289.90
20800 Federal Income Taxes Payable		37,057.46
21000 Interest Payable		162.74
21100 Notes Payable		90,000.00
26000 Common Stock		225,000.00
29000 Retained Earnings		90,264.99
Opening balance equity		
30100 Sales		1,590,411.00
30200 Sales Returns and Allowances	62,181.00	
30300 Sales Discounts Taken	15,405.82	
30400 Cost of Goods Sold	1,024,621.22	
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	140,431.43	
40600 Payroll Tax Expense	12,025.79	
40700 Federal Income Tax Expense	37,057.46	
40800 Interest Expense	162.74	
40900 Bad Debt Expense	6,051.30	
41000 Other Operating Expense	33,225.75	
31200 Miscellaneous Revenue		825.00
TOTAL	\$ 2,164,969.75	\$ 2,164,969.75