Databrawn is a small startup focusing on taking the heavy lifting out of data processing for analytics. Their work involves large amounts of computation, for which they previously only used cloud service providers like Amazon AWS. Databrawn’s trial balance is presented below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Trial Balance Databrawn In SGD Dec 31, 20X9 | | | Adjusted Trial Balance Databrawn In SGD Dec 31, 2019 | |
|
|
|  | DR | CR | DR | CR |
| *Assets* |  |  |  |  |
| Cash | 40,000 |  |  |  |
| A/R | 75,000 |  |  |  |
| Allowance for U/A |  | 3,000 |  |  |
| Supplies | 2,000 |  |  |  |
| Computers | 50,000 |  |  |  |
| Acc. Depr. -- Computers | - |  |  |  |
| Building | 30,000 |  |  |  |
| Acc. Depr. -- Building |  | 3,000 |  |  |
| *Liabilities* |  |  |  |  |
| A/P |  | 5,000 |  |  |
| Unearned Revenue |  | 69,000 |  |  |
| Bank loan |  | 50,000 |  |  |
| Interest payable |  | - |  |  |
| Utilities payable |  | - |  |  |
| *Equity* |  |  |  |  |
| Share capital |  | 40,000 |  |  |
| Retained earnings |  | 4,000 |  |  |
| Service revenue |  | 200,000 |  |  |
| Bad debt expense | - |  |  |  |
| Depreciation expense | - |  |  |  |
| Interest expense | - |  |  |  |
| Misc. expense | 7,000 |  |  |  |
| Rent expense | 30,000 |  |  |  |
| Supplies expense | - |  |  |  |
| Utilities expense | 20,000 |  |  |  |
| Wage expense | 120,000 |  |  |  |
| Total | 374,000 | 374,000 |  |  |

**Part 1**: Read the following situations and determine any needed adjusting journal entries.

1. On July 1, Databrawn took out a $50,000 loan from DBS to build a computer cluster. This loan is a 5 year loan which requires the company to pays 5% interest annually.
2. On October 1, Databrawn acquired a $50,000 computer cluster to run their analyses on in-house. They expect to use this computer cluster for 5 years. Due to rapidly changing technology, Databrawn expects it to have 0 salvage value and plans to use double declining balance depreciation.
3. Databrawn uses straight line depreciation for their building, assuming 6,000 in salvage value and 16 years of useful life.
4. At the end of the year, they count $1,600 worth of supplies on hand.
5. Due to the company’s new computer system, they expect to use more electricity in December. They expect to receive a bill of $4,000 for the month, of which none has been paid or recognized previously.
6. When going through a bank reconciliation activity, Databrawn noticed that one of their prepaid customer’s checks of $5,000 was NSF.
7. During the same bank reconciliation, they found that one of their customers, for whom all services had already been rendered, sent an electronic payment of $7,000.
8. While going through the mail, Databrawn’s CFO read a handwritten letter from a long-time client of theirs. The letter informed the CFO that the customer’s company had been automated out of business by their competitors, and as such, they would not be able to pay back the $2,000 they owed Databrawn for services performed in November.
9. Given the large amount of A/R outstanding, Databrawn’s auditor suggested that the current balance of allowance for uncollectable accounts was insufficient. The auditor suggested that the allowance should be 5% of the accounts receivable.
10. Databrawn was currently working on a prepaid contract where they had received $30,000 for analyzing petabytes of data. The CFO estimates that they have completed 20% of the analysis.

**Part 2**: Fill in the adjusted trial balance, using the adjusting journal entries determined in part 1.

**Part 3**: On a separate sheet of paper, write out Databrawn’s balance sheet and income statement for the year (ignore tax effects).