

Question 1: Adjusting entries

Coffee Corp has just finished its fiscal year ended December 31, 2018. They record adjusting entries just once per year, at the end of the year. For depreciation, they only use straight line depreciation. Read the following scenarios, and determine whether each scenario requires an adjusting entry. If an adjusting entry is required, write out the entry. Explanations are not required. Write your entries on the space provided on the next page.

- A. Coffee Corp always prepays rent of \$4,000 on the 15th of each month, covering rental of their storefront for the last half of the month and the first half of the next month.
- B. Coffee Corp has a car which they use for local deliveries. They bought it for \$50,000, and expect to use it for 10 years, at which point they expect to get \$5,000 back for it. They have used it for 3.5 years already.
- C. For the first quarter of the month, Coffee Corp used \$100 worth of electricity. They were billed for this amount and have already paid. For the next 75% of the month, Coffee Corp estimates their electricity usage to be \$200, which they will be billed for in January.
- D. An eccentric millionaire asked Coffee Corp to design a very particular blend of coffee. He paid \$50,000 up front for this task. While Coffee Corp has finished 90% of the process, they expect the last 10% to incur a high amount of cost (in terms of inventory and other direct costs), but they are unsure as to how much.
- E. Coffee Corp has a large roasting machine that cost \$16,000. They have already used it for 3 years, but expect it to run for another 5 years. They plan to run it until it has zero value left.
- F. Coffee Corp sent a second bill to a foreign hotel, as the hotel missed the payment due 30 days after receiving a \$100 order of coffee beans.
- G. A local hotel prepaid Coffee Corp \$5,000 in advance for a large shipment of coffee beans. The total shipment will use \$1,000 worth of inventory. Coffee Corp has so far delivered half of the beans, while the other half is still in inventory.
- H. Coffee Corp started the year with \$300 worth of mugs (consider these as supplies). They bought another \$100 worth of mugs throughout the year. On December 31st, they believe they have \$350 worth of mugs left.

NUMBER	ACCOUNTS	DR	CR
A			
B			
C			
D			
E			
F			
G			
H			

Question 2: Equity transactions

For the year 2019, Coffee Corp has decided to raise funds using equity, something they had not done previously. Help them journal the following transactions:

- A. Issued 1,000 new shares of common stock for \$10,000.
- B. Bought back 100 shares of common stock for \$1,000 from the stock market.
- C. Issued another 1,000 new shares of common stock for \$12,000.
- D. Declared a dividend of \$0.10 per share.
- E. After the record date, Coffee Corp sold 50 of its treasury shares for \$450.
- F. Paid the dividend declared in part D.
- G. Coffee Corp sold 40 of its treasury shares for \$12 per share.
- H. Coffee Corp sold the rest of its treasury shares for \$50.

NUMBER	ACCOUNTS	DR	CR
A			
B			
C			
D			
E			
F			
G			
H			

Question 3: Bank Reconciliation

Coffee Corp, having been very active for the past month, decides they should make sure their cash account is accurate. As such, they decide to conduct a bank reconciliation. On the bank statement, they find the following information:

- A. The bank cash balance is \$12,000.
- B. The bank had recorded two EFT payments by Coffee Corp of \$300 and \$500 to suppliers.
- C. The bank received an EFT of \$1,000 as a prepayment by a hotel.
- D. The bank received deposits of 3 checks: check 3101 for \$800, check 92 for \$900, and check 101 for \$700.
- E. The bank noted that the deposit of check 3101 was rejected due to the customer, who was paying an amount owed to Coffee Corp, having non-sufficient funds (NSF).

On their own documentation, Coffee Corp found the following information:

- 1. The book cash balance is \$12,400.
- 2. Coffee Corp received payment from four customers for services rendered: check 3101 for \$800, check 92 for \$900, check 101 for \$700, and a \$100 cash payment.
- 3. Coffee Corp paid a bill by check, check 301, for \$300.

Using the above information, perform the bank reconciliation and record any needed journal entries. Label the journal entries with the information item they come from.

Coffee Corp
Bank Reconciliation
31-Jan-19

Bank Cash
Balance as of Jan 31
Add:

Subtotal:

Less:

Adjusted bank cash:

Book Cash
Balance as of Jan 31
Add:

Subtotal:

Less:

Adjusted book cash:

INFO	ACCOUNTS	DR	CR