



The Worksheet

A Worksheet



An informal business paper used to organize and plan the information for the financial statements

The Worksheet

1. Starts with three columns to hold the account titles and trial balance amounts, which have been typically prepared by the accounting clerk.
2. The next two columns are used for adjustments to account balances. **These adjustments are prepared by the senior accountant.**
3. Income statement data in the trial balance columns are copied to the income statement columns. If an income statement item is affected by an entry in the adjustments column, then a new amount is calculated before it is copied.
4. Balance sheet data in the trial balance columns are copied to the balance sheet columns. If a balance sheet item is affected by an entry in the adjustments column, then a new amount is calculated before it is copied.
5. Columns are totaled, net income is revealed, and the worksheet is balanced and ruled to prove the equality of the ledger

Global Logistics		Worksheet				Year Ended Dec. 31, 20-4			
ACCOUNTS	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
Bank	52051								
Accounts Receivable	18475	-							
Supplies	148090								
Prepaid Insurance	6564	-							
Furniture & Equipment	4196	-							
Automotive Equipment	54600	-							
Accounts Payable		2510	-						
Bank Loan		25000	-						
HST Payable		1240	-						
HST Recoverable	720	-							
P. Marshall, Capital		2889542							
P. Marshall, Drawings	42000	-							
Shipping Revenue		213821	-						
Bank Charges Expense	3500	-							
Miscellaneous Expense	195165	-							
Rent Expense	24000	-							
Telephone Expense	1800	-							
Truck Expense	4195116	-							
Utilities Expense	3750	-							
Wages Expense	6595720	-							
	27146642	27146642							

Figure 8.2

Adjusting for Supplies

Adjusting for Supplies

The Supplies amount on the trial balance for Global Logistics in Figure 8.2 is \$1480.90. This amount is inexact because supplies are used daily but this usage is not recorded. To discover what the Supplies amount should be on the year-end balance sheet, the accounting clerk of Global Logistics took a physical inventory and prepared the listing shown in Figure 8.3.

GLOBAL LOGISTICS SUPPLIES INVENTORY DECEMBER 31, 20-4			
<i>Description</i>	<i>Quantity</i>	<i>Cost</i>	<i>Value</i>
Envelopes, #10, white	2 boxes	\$ 29.00	\$ 58.00
Envelopes, #8, white	3 boxes	23.50	70.50
Envelopes, manila	37	.25	9.25
Ball pens, blue	15	.22	3.30
Pencils, black, HB	75	.95	71.25
Pencils, red	32	.89	28.48
Pencils, auto .5	3	7.85	23.55
Scotch tape, 1 cm	12	4.50	54.00
Scotch tape, 2 cm	8	6.50	52.00
Paper clips, regular	16 boxes	1.89	30.24
Paper clips, jumbo	5 boxes	3.50	17.50
Printer ink cartridge	2 boxes	35.24	70.48
Gummed labels, #505	3 pkgs	6.50	19.50
Elastic bands	5 boxes	3.59	17.95
		Total	<u>\$526.00</u>

Adjusting for Supplies

When the adjustment process for Supplies is finished, the account balance should match the amount produced by the inventory listing (\$526.00).

To change the balance in the Supplies account from what it is (\$1480.90) to what it should be (\$526.00), calculate the difference between these amounts and use this difference (\$954.90) for your adjusting entry.

The T-account analysis for this adjusting entry appears below.

Supplies #115		Supplies Expense #550	
Dr	Cr	Dr	Cr
1 480.90			
	954.90	954.90	
<hr/> 526.00			

Adjusting for Supplies

The adjusting entry for Supplies is not journalized at this time. It is only recorded in the Adjustments section of the worksheet, as shown in Figure 8.4.

Global Logistics		Worksheet				Year Ended Dec. 31, 20-4			
ACCOUNTS	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
Bank	52051								
Accounts Receivable	18475								
Supplies	148090			95490					
Prepaid Insurance	6564								
Furniture & Equipment	4196								
Automotive Equipment	54600								
Accounts Payable		25110							
Bank Loan		25000							
HST Payable		1240							
HST Recoverable	720								
P. Marshall, Capital		2889542							
P. Marshall, Drawings	42000								
Shipping Revenue		213821							
Bank Charges Expense	3500								
Miscellaneous Expense	195165								
Rent Expense	24000								
Telephone Expense	1800								
Truck Expense	4195116								
Utilities Expense	3750								
Wages Expense	6595720								
	27146642	27146642							
Supplies Expense				95490					

If an account name does not appear in the trial balance, it must be written in below.

Adjusting for Insurance Used

Working again with the example of Global Logistics, the trial balance shows an amount of \$6564 for prepaid insurance. This balance is out-of-date. Portions of the policies have expired since the time they were purchased. The balance in the Prepaid Insurance account must be made equal to the total value remaining in all of the unexpired insurance policies as of December 31, 20-4. This value is calculated by means of an insurance listing such as the one shown in Figure 8.5.

PREPAID INSURANCE LISTING DECEMBER 31, 20-4						
Company	Policy Date	Term	Expiry Date	Premium	Unused Fraction	Value Remaining
Acme	Aug. 1, 20-4	1 yr	Jul. 31, 20-5	\$ 1 824	7/12	\$ 1 064
Fidelity	Aug. 1, 20-4	1 yr	Jul. 31, 20-5	1 248	7/12	728
Guarantee	Mar. 1, 20-4	1 yr	Feb. 28, 20-5	948	2/12	158
Blue Cross	Nov. 1, 20-4	1 yr	Oct. 31, 20-5	<u>2 544</u>	10/12	<u>2 120</u>
				<u>\$ 6 564</u>		<u>\$ 4 070</u>

The T-account analysis for the required adjusting entry appears below.

Prepaid Insurance #120		Insurance Expense #530	
Dr	Cr	Dr	Cr
6 564.00		2 494.00	
<u>4 070.00</u>	2 494.00	<u>2 494.00</u>	

Adjusting for Insurance Used

Global Logistics		Worksheet				Year Ended Dec. 31, 20-4			
ACCOUNTS	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
Bank	52051								
Accounts Receivable	18475								
Supplies	148090			①95490					
Prepaid Insurance	6564			②2494					
Furniture & Equipment	4196								
Automotive Equipment	54600								
Accounts Payable		2510							
Bank Loan		25000							
HST Payable		1240							
HST Recoverable	720								
P. Marshall, Capital		2889542							
P. Marshall, Drawings	42000								
Shipping Revenue		213821							
Bank Charges Expense	3500								
Miscellaneous Expense	195165								
Rent Expense	24000								
Telephone Expense	1800								
Truck Expense	4195116								
Utilities Expense	3750								
Wages Expense	6595720								
	27146642	27146642							
Supplies Expense				①95490					
Insurance Expense				②2494					

Late-Arriving Purchase Invoices and Unearned Revenue

Late-Arriving Purchase Invoices

Telephone	\$ 245
Truck repair	496
Printer repair	85
Total	<u>\$ 826</u>

3. Late Arriving Invoices

Telephone Expense #560		Accounts Payable #205	
Dr	Cr	Dr	Cr
245.00			826.00
Truck Expense #565			
Dr	Cr		
496.00			
Miscellaneous Expense #540			
Dr	Cr		
85.00			

The accounting clerk also notified the senior accountant that during the last week of December, a customer made a \$6000 cash payment in advance of work to be completed in January, 20–5. When the payment was received, the Global Logistics clerk debited Bank and credited Shipping Revenue for \$6000.

4. Unearned Revenue

Shipping Revenue #405		Unearned Revenue #250	
Dr	Cr	Dr	Cr
6 000.00			6 000.00

Late-Arriving Purchase Invoices and Unearned Revenue

Global Logistics		Worksheet				Year Ended Dec. 31, 20-4			
ACCOUNTS	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
Bank	52051								
Accounts Receivable	18475								
Supplies	148090					①95490			
Prepaid Insurance	6564					②2494			
Furniture & Equipment	4196								
Automotive Equipment	54600								
Accounts Payable		2510					③826		
Bank Loan		25000							
HST Payable		1240							
HST Recoverable	720								
P. Marshall, Capital		2889542							
P. Marshall, Drawings	42000								
Shipping Revenue		213821	④6000						
Bank Charges Expense	3500								
Miscellaneous Expense	195165		⑤85						
Rent Expense	24000								
Telephone Expense	1800			⑥245					
Truck Expense	4195116			⑦496					
Utilities Expense	3750								
Wages Expense	6595720								
	27146642	27146642							
Supplies Expense				①95490					
Insurance Expense				②2494					
Unearned Revenue						④6000			
				1027490	1027490				

Late-Arriving Purchase Invoices and Unearned Revenue

Extending the Worksheet

Each line of the worksheet that holds an account balance must be extended to one of the last four columns. Extending is done as follows:

- Step 1** Evaluate each item in the first four columns. You may have to add or subtract, depending on what is contained in the adjustments columns. The process will result in one number that will have either a debit or credit value.
- Step 2** Transfer the value found in Step 1 to one of the last four columns of the worksheet. Each item belongs to either the Income Statement columns or the Balance Sheet columns. Debit values are transferred to debit columns and credit values are transferred to credit columns.

Global Logistics	Worksheet								Year Ended Dec. 31, 20-4								
ACCOUNTS	TRIAL BALANCE				ADJUSTMENTS				INCOME STATEMENT				BALANCE SHEET				
	Dr		Cr		Dr		Cr		Dr		Cr		Dr		Cr		
Bank	520	51												520	51		
Supplies	1480	90					954	90						526	-		
Accounts Payable			2510	-			826	-								3336	-
Shipping Revenue												2078	21				

Balancing the Worksheet for Global Logistics

The process of balancing the worksheet is outlined below.

- Step 1** Total each of the last four columns.
- Step 2** Determine the difference between the two income statement columns (\$60 636.09) and the difference between the two balance sheet columns (\$60 636.09).
- Step 3** Ensure that the two differences in Step 2 are the same. They must be equal because these differences represent net income. If the differences are not the same, the worksheet does not balance and it contains one or more errors. These must be found and corrected before the financial statements are prepared.
- Step 4** Write in Net Income in the Accounts column. Record the totals of the last four columns, and place a single rule above them and a double rule below them as shown on the next page.

Global Logistics		Worksheet				Year Ended Dec. 31, 20-4			
ACCOUNTS	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET		
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
Bank	52051						52051		
Accounts Receivable	18475						18475		
Supplies	148090			①95490			526		
Prepaid Insurance	6564			②2494			4070		
Furniture & Equipment	4196						4196		
Automotive Equipment	54600						54600		
Accounts Payable		2510		③826				3336	
Bank Loan		25000						25000	
HST Payable		1240						1240	
HST Recoverable	720						720		
P. Marshall, Capital		2889542						2889542	
P. Marshall, Drawings	42000						42000		
Shipping Revenue		213821	④6000			207821			
Bank Charges Expense	3500				3500				
Miscellaneous Expense	195165		③85		203665				
Rent Expense	24000				24000				
Telephone Expense	1800		③245		2045				
Truck Expense	4195116		③496		4244716				
Utilities Expense	3750				3750				
Wages Expense	6595720				6595720				
	27146642	27146642							
Supplies Expense			①95490		95490				
Insurance Expense			②2494		2494				
Unearned Revenue				④6000				6000	
			1027490	1027490	14718491	207821	12510751	6447142	
Net Income					6063609			6063609	
					207821	207821	12510751	12510751	

Preparing the Financial Statements

Preparing the financial statements from the worksheet is a straightforward procedure. You will find all the account balances you need for the income statement and balance sheet, and you will discover three important totals: Total Revenue, Total Expenses, and, of course, Net Income (or Net Loss).

Journalizing and Posting the Adjusting Entries

So far the adjusting entries have been recorded only on the worksheet. Once the worksheet is completed, the adjusting entries must be recorded in the books of account. Only then will the ledger account balances match the numbers reported on the financial statements.

Accountants journalize and post all adjusting entries that appear in the adjustments section of the worksheet. They will use the last day of the fiscal year as the date. This is no time for discovering new adjustments. The adjustment decision process took place when the worksheet was prepared. Now it is a matter of putting these adjustments into the accounts.