Handout 2 Solution

Property Tax Expense	4,000	
Property Tax Payable		4,000
Utilities Expense	500	
Utilities Payable		500
Salaries Expense	1,200	
Salaries Payable		1,200
Supplies Expense	750	
Supplies		750
($300 + $600 - $150)		
Depreciation Expense	21,800	
Accumulated Depreciation – Building		9,200
Accumulated Depreciation – Equipment		12,600
($200,000 - $16,000)/20 ($130,000 - $4,000)/10		
Income Tax Expense	7,500	
Income Tax Payable		7,500
Prepaid Rent	400	
Rent Expense		400
($4,800 x 1/12)		
Interest Expense	2,000	
Interest Payable		2,000
($20,000 x 12% x 10/12)		
Depreciation Expense	1,800	
Accumulated Depreciation – Equipment		1,800
($30,000 - $3,000)/10 x 8/12		
Interest Expense	1,920	
Interest Payable		1,920
($24,000 x 12% x 8/12)		

Insurance Expense	233.33	
Prepaid Insurance		233.33
($1,200/3 x 7/12)		
Interest Receivable	500	
Interest Revenue		500
($12,000 x 10% x 5/12)		
Rent Revenue	1,500	
Unearned Rent Revenue		1,500
($2,400 x 5/8)		