**Preparation of a work sheet, financial statements, and adjusting, closing, and reversing entries**

P 4. At the end of fiscal year, the trial balance of Reed delivery service appeared as shown below.

|  |
| --- |
| **Reed delivery service****Trial balance****August 31, 2010** |
| Cash | $10,072 |  |
| Accounts receivable  | 29,314 |  |
| Prepaid insurance  | 5,340 |  |
| Delivery supplies | 14,700 |  |
| Office supplies  | 2,460 |  |
| Land  | 15,000 |  |
| Building  | 196,000 |  |
| Accumulated depreciation-building  |  | $53,400 |
| Trucks | 103,800 |  |
| Accumulated depreciation-trucks |  | 30,900 |
| Office equipment  | 15,900 |  |
| Accumulated depreciation-office equipment |  | 10,800 |
| Accounts payable |  | 9,396 |
| Unearned lockbox fees |  | 8,340 |
| Mortgage payable  |  | 72,000 |
| N. Reed, capital |  | 128,730 |
| N. Reed, withdrawals | 30,000 |  |
| Delivery service revenue  |  | 283,470 |
| Lockbox fees earned |  | 28,800 |
| Truck drivers’ wage expense  | 120,600 |  |
| Office salaries expense | 44,400 |  |
| Gas, Oil, and truck repairs expense | 31,050 |  |
| Interest expense  | 7,200 |  |
|  | **$625,836** | **$625,836** |

**Required:**

1. Enter the trial balance amounts in the trial balance columns of a work sheet and complete the work sheet using the information that follows:
2. Expired insurance, $3,060
3. Inventory of unused delivery supplies, $1,430
4. Inventory of unused office supplies, $186
5. Estimated depreciation on the building, $14,400
6. Estimated depreciation on the truck, $15,450
7. Estimated depreciation on the office equipment, $2,700
8. The company credits the lockbox fees account. Of the amount credited to this account during the year, $5,630 had been earned by August 31.
9. Lockbox fees earned but not recorded and uncollected at the end of the accounting period, $816
10. Accrued but unpaid truck drivers’ wages at the end of the year, $1,920
11. Prepare an income statement, a statement of owner’s equity, and a balance sheet for the company. Assume the owner, Natalie Reed, made no additional investments.
12. Prepare adjusting, closing, and, when necessary, reversing entries from the work sheet
13. Can the work sheet be used as a substitute for the financial statements? Explain your answer.