

- You review your revenue and unearned revenue accounts to make sure all earned revenue (and only earned revenue) is recognized.
 - For the revenue accounts, you check with Sally to make sure that all the hours and fees billed in February were completed in February. All the income billed in February was earned in February so you don't need to defer any of that revenue.
 - For **Unearned revenue**, you review the entries made in January. The unearned revenue for Butter and Beans at the end of January was for the remaining 20 hours of work billed on Invoice 1009. Sally lets you know that all that work has now been completed. The unearned revenue for Albus Software was for a workshop held in February. You make the appropriate entry to properly recognize February revenue.
- You look at the adjusting journal entries made in January. You make entries as needed.
 - **TIP:** For depreciation, you will need to add depreciation for the cabinets placed in service on February 1st. The cost was \$1,500. Sally doesn't think there will be any resale value at the end of the service life. You depreciate the cabinets over the service life (5 years). Don't forget to depreciate all the items purchased in prior months. ~~The depreciation amount for those items will be the same as the entry(ies) in January.~~
(Use \$191.25 as the depreciation expense total for the previously purchased items.)
 - **TIP:** For prepaids, look at all the prepaid accounts on the balance sheet. Should any of them be adjusted? Look at the profit and loss statement. Are there expenses recorded that shouldn't be recognized in February? Are there any expenses that weren't recorded that should be? It's often very helpful to be able to compare months when doing month-end work. Consider customizing the **profit and loss** report by changing the dates to 1/1 to 2/28 and selecting **Months** in the **Display columns by** dropdown menu. It's often very helpful to be able to compare months when doing month-end work. Consider customizing the **profit and loss** report by changing the dates to 1/1 to 2/28 and selecting **Months** in the **Display columns by** dropdown menu.
- You realize you forgot to pay yourself for work done in February. You create an account called "Accrued Expenses" (Account # 221) and record the \$350 due you for your accounting work.
- ✓ You review your chart of accounts.
 - You see that QBO has created a new **Cost of Goods Sold** account (Inventory Shrinkage). You realize this was created by default when you made your inventory adjustment entry. You decide to use the default account set up by QBO so you merge 509 Inventory Adjustments into the Inventory Shrinkage account. You want to keep the account number.
 - **TIP:** You will need to edit the Inventory Adjustment account by changing the name to Inventory Shrinkage and removing the account number. Then you can go back in and add the account number.

Check numbers 2/28

Checking account balance:\$ 6,529.30
 Net income for the two months ending 2/28:\$ 9,540.09
 Total assets:\$30,168.30
 Total liabilities:\$ 7,128.21

Reports to create for Chapter 8:

- Journal (2/28 entries only)
- Balance Sheet as of 2/28
- Profit and Loss for February (with year to date column included)

Use \$191.25 for the assets purchased prior to 2/1. Don't forget to include depreciation for the assets purchased in February.

- ✓ You make the necessary adjustments, dated 3/31, after considering the following:
 - Supplies on Hand at 3/31 equal \$185.
 - You purchased laptops for Oscar and Olivia on 3/5 for \$1,200. They were placed in service right away. You go ahead and take a full month's depreciation on the computers. Sally thinks they'll last 2 years, with no salvage value. **TIP:** ~~There's no change on depreciation expense for the other assets purchased prior to March 1.~~
 - You look carefully at the profit and loss statement and make sure that all March expenses are properly recorded. (**TIP:** Include the **Prior Period** column on your profit and loss report. Compare the March expenses with the February expenses. Are there any of the common operating expenses missing? Do any of the expenses appear unusually high?)
 - You look carefully at the balance sheet paying particular attention to Other Current Assets and Other Current Liabilities. Many of the common month-end adjustments affect accounts in those categories. **TIP:** Look at the journal entries you made at February 28th. There will likely be similar entries for March.
 - **HINT:** Interest on the Dell Finance loan is 5% (simple, annual rate). The last payment to Dell was 3/1.

Check numbers 3/31

Checking account balance:	\$ 4,574.96
Other Current Assets:	\$10,621.50
Total assets:	\$35,509.71
Total liabilities:	\$ 7,873.25
Gross Profit (March):	\$14,187.00
Net income for March:	\$ 7,096.37

Reports to create for Chapter 10:

- Balance Sheet as of March 31
- Profit and Loss (March)
- Sales by Product/Service Summary (March)
- Inventory Valuation Summary (March 31)
- Profit and Loss by Customer (March)

APPENDIX 10A TRACKING PROJECTS USING SUB-CUSTOMERS

Projects is a relatively new feature in QBO. If companies don't have the feature available, **sub-customers** can be used for tracking jobs.



BEHIND THE SCENES In Chapter 3, **sub-customers** were used for tracking company branches. Whether a user is tracking branches or projects, **sub-customers** is a tool for maintaining detailed records for related entities.

Some rules apply when using **sub-customers** to track projects.

- Multiple projects (**sub-customers**) can be tracked for a single customer.
- Multiple projects (**sub-customers**) cannot be billed on the same invoice or sales receipt.