The following are the account balances on December 31, 2015 for an Internet Café in Sudbury, Ontario called Cardinal Café:

Debits Credits

Cash $7 300

Accounts Receivable 6 900

Prepaid Insurance 1 200

Prepaid Rent 700

Prepaid Equipment Rental 2 000

Supplies 1 300

Furniture 12 000

Accumulated Amortization - Furniture $3 000

Automobile 27 000

Accumulated Amortization - Automobile 6 600

Accounts payable 3 150

Bank loan (5-year) 10 500

J. Cardinal, Drawings 5 000

J. Cardinal, Capital 27,430

Sales Revenue 44,800

Rent Expense 7 700

Business Tax Expense 1 800

Insurance Expense 3 600

Utilities Expense 1 200

Supplies Expense 4 780

Salaries Expense 13 000

Equipment Rental Expense 0

Depreciation Expense – Furniture 0

Depreciation Expense – Automobile 0

The following adjustment and closing entries must be made before preparing the financial statements:

1) The $4,800 insurance for the entire year was prepaid on January 1, 2015. A journal entry must be

made to show that the quarter of prepaid insurance has being used.

2) The $ 8,400 rent for the year was paid in advance on January 1, 2015. A journal entry must be made to show that the final month of the prepaid rent has been used.

3) In January 2012 equipment for the café was rented for 5 years at a cost of $5,000, which was paid in advance. A journal entry must be made to show the current year’s equipment rental expense.

4) Supplies remaining on December 31 are valued at $550.

5) The office furniture has an estimated useful life is 5 years and salvage value of $500. A journal entry must be made for the amortization on the furniture using straight-line depreciation.

6) The automobile is being depreciated using the declining balance method and a 30% rate.

**Assignment:**

* Prepare the adjusting and closing entries for December 31 in the General Journal template (remember to close the updated expense accounts after the adjustments).
* Prepare a Worksheet, Income Statement and Balance Sheet using the template provided.