Instructions

Cookie Creations (Chapter 3)

This assignment is a continuation of the Cookie Creations case study from Chapters 1 and 2. You will use the information from the previous chapters and follow the instructions below using the general ledger accounts that you previously created.

Review the case information below and also on p. 3-54 of the textbook. Then, complete action items a–c). This assignment will allow you to practice what you have learned so far.

It is the end of November, and Natalie has been in touch with her grandmother. Natalie’s grandmother asked her how well things went in her first month of business. Natalie, too, would like to know if she has been profitable or not during November. Natalie realizes that in order to determine Cookie Creations’ income, she must first make adjustments.

Natalie puts together the information shown below.

1. A count reveals that $35 of baking supplies were used during November.

2.Natalie estimates that all of her baking equipment will have a useful life of 5 years or 60 months. (Assume Natalie decides to record a full month’s worth of depreciation, regardless of when the equipment was obtained by the business.)

3.Natalie’s grandmother has decided to charge an interest of 6% on the note payable extended on November 16. The loan plus interest is to be repaid in 24 months. (Assume that half a month of interest accrued during November.)

4.On November 30, a friend of Natalie’s asks her to teach a class at the neighbourhood school. Natalie agrees and teaches a group of 35 first-grade students how to make gingerbread cookies. The next day, Natalie prepares an invoice for $300and leaves it with the school principal. The principal says that he will pass the invoice along to the head office, and it will be paid sometime in December.

5.Natalie receives a utility bill for $45. The bill is for utilities consumed by Natalie’s business during November is due December 15.

The trial balance from Chapter 2 is presented below.

Using the trial balance from Chapter 2 and based on the new information provided above, complete the tasks below.

Prepare and post the adjusting journal entries.

Prepare an adjusted trial balance.

Using the adjusted trial balance, calculate Cookie Creations’ net income or net loss for the month of November 2019.

Note: Do not prepare an income statement.

Make sure to complete item “a” completely before moving to item “b,” and then move to item “c.” You cannot jump ahead unless you have completed each step sequentially in full.

Submit the Excel document in Blackboard upon completion