



Accounting 1 Virtual Learning

# HS/Supplies Adjustment

April 13, 2020

# How to handle adjustments ... with M&Ms!

## Lesson Objectives:


1. Plan the adjustment for supplies
2. Journalize and post the adjusting entry for supplies





## Lesson Steps

Adjustments are needed to bring changes in the accounting system to bring all account balances up to date. We will use M&Ms to represent all the supplies you purchased over the accounting period.

Suppose you have the M&M's in the table here: 

Color	# on hand	Cost each	Balance
Red	15	\$1.00	\$15.00
Yellow	20	\$2.00	\$40.00
Orange	22	\$.50	\$11.00
Brown	32	\$1.25	\$40.00
Blue	17	\$1.50	\$25.50
Green	12	\$1.00	\$12.00
Total	118		\$143.50

This represents the account balance for your Supplies account. Draw T-accounts like the ones on the next Slide and put the balance on the correct Side - Will it be a debit or credit?

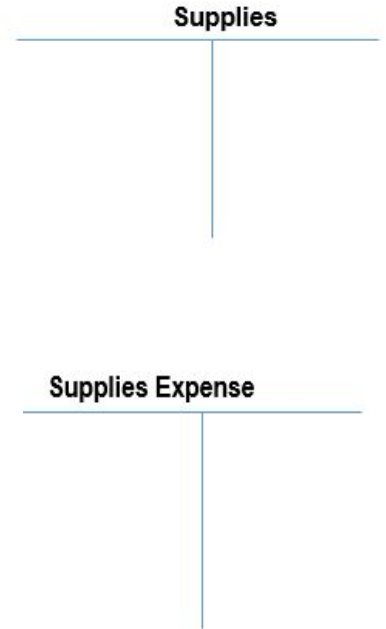


# Lesson Steps continued

1. Suppose you eat all your **red** M&Ms, 5 **yellow** M&Ms, 3 **blue** M&Ms, 1 **green** and 5 **brown**.
2. Calculate the value of the supplies you have left.
3. This is the new, up-to-date balance.

Since eating the M&M's, the T account is not showing the correct balance. You need to decrease the balance in the account by the value of the supplies (M&Ms) you ate, so the balance in the account will reflect the value of the supplies (M&Ms) you have left. Record that transaction in the Supplies T-account. Will that be a debit or a credit? Figure the new balance.

What do you do to record the value of the supplies (M&Ms) you used up? That is an expense to your business. Record the value of the supplies (M&Ms) you ate in your Supplies Expense account on the correct side (Debit or Credit)





# Lesson Steps continued

Now you need to journalize the adjustment and post it to the supplies account.

The pic of the Supplies account is linked to a google doc or you can write it out.

ACCOUNT Supplies						ACCOUNT NO. 130			
DATE	ITEM	POST. REF.	DEBIT		CREDIT		BALANCE		
							DEBIT	CREDIT	

1. GENERAL JOURNAL PAGE

	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT		CREDIT		
1									1
2									2
3									3