

## CONCEPT: ADJUSTING ENTRIES – SUPPLIES

- Adjusting entries include **deferrals**, **accruals**, and **depreciation**.

☐ **Supplies** – office supplies, including small everyday items that are used for business

**POP QUIZ:** Supplies are:

- a) Expenses
- b) Liabilities
- c) Assets
- d) Revenues

☐ There are two important dates for recording supplies:

Supplies purchase date: Pay for the supplies (in advance) and create the Supplies account	
On November 1, the company purchases \$800 worth of office supplies.	
Adjusting date – Adjust the supplies account based on the amount of supplies _____	
On December 31, the company notes that \$200 worth of office supplies are left.	
Supplies:	Supplies Expense:

Supplies:	Supplies Expense:
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**PRACTICE:** A company has \$350 in its supplies account at the beginning of the year. Throughout the year, the company purchased an additional \$500 worth of supplies, which it recorded to the supplies account. The year-end count of office supplies revealed a remaining balance of \$400. The entry to adjust the balance of the supplies account would include:

- a) Debit Supplies \$450; Credit Supplies Expense \$450
- b) Debit Supplies Expense \$450; Credit Supplies \$450
- c) Debit Supplies \$50; Credit Supplies Expense \$50
- d) Debit Supplies Expense \$50; Credit Supplies \$50