

It is the end of November and Mei-ling has been in touch with her grandmother. Her grandmother asked Mei-ling how things went in her first month of business. Mei-ling, too, would like to know if the company has been profitable or not during November. Mei-ling realizes that in order to determine Matcha Creations income, she must first make adjustments.

Mei-ling puts together the following additional information.

1. A count reveals that R350 of baking supplies were used during November.
2. Mei-ling estimates that all of her baking equipment will have a useful life of 5 years or 60 months. (Assume Mei-ling decides to record a full month's worth of depreciation, regardless of when the equipment was obtained by the business.)
3. Mei-ling's grandmother has decided to charge 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 Mei-ling's asks her to teach a class at the neighborhood school. Mei-ling agrees and teaches a group of 35 first-grade students how to make holiday cookies. The next day, Mei-ling prepares an invoice for R3 000 and 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. Mei-ling receives a utility bill for R450. The bill is for utilities consumed by Mei-ling's business during November and is due December 15.

MC003 (Continued)

The trial balance from topic 2 is presented below.

MATCHA CREATIONS
Trial Balance
November 30, 2022

	<u>Debit</u>	<u>Credit</u>
Cash.....	R 2 450	
Supplies.....	1 250	
Prepaid Insurance.....	13 200	
Equipment.....	12 000	
Unearned Service Revenue.....		R 300
Notes Payable.....		20 000
Share Capital—Ordinary.....		8 000
Service Revenue.....		1 250
Advertising Expense.....	650	
	<u>R29 550</u>	<u>R29 550</u>

Instructions

Using the trial balance from topic 2, and based on the new information above, do the following.

- (a) Prepare and post the adjusting journal entries.
- (b) Prepare an adjusted trial balance.
- (c) Using the adjusted trial balance, calculate Matcha Creations' net income or net loss for the month of November 2022.