

# CHAPTER 2

## The Recording Process

### ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>	<u>B Problems</u>
1. Explain what an account is and how it helps in the recording process.	1			1		
2. Define debits and credits and explain their use in recording business transactions.	2, 3, 4, 5, 6, 7, 8, 9, 21	1, 2, 5	1	2, 4, 6, 7, 14	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
3. Identify the basic steps in the recording process.	10, 19	4		6, 7		
4. Explain what a journal is and how it helps in the recording process.	11, 12, 13, 14, 16	3, 6	2	3, 5, 6, 7, 10, 11, 12	1A, 2A, 3A, 5A	1B, 2B, 3B, 5B
5. Explain what a ledger is and how it helps in the recording process.	17			8		
6. Explain what posting is and how it helps in the recording process.	15	7, 8	3	9, 12	2A, 3A, 5A	2B, 3B, 5B
7. Prepare a trial balance and explain its purposes.	18, 20	9, 10	4	9, 10, 11, 13, 14	2A, 3A, 4A, 5A	2B, 3B, 4B, 5B

## ASSIGNMENT CHARACTERISTICS TABLE

<b>Problem Number</b>	<b>Description</b>	<b>Difficulty Level</b>	<b>Time Allotted (min.)</b>
1A	Journalize a series of transactions.	Simple	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
4A	Prepare a correct trial balance.	Moderate	30–40
5A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
1B	Journalize a series of transactions.	Simple	20–30
2B	Journalize transactions, post, and prepare a trial balance.	Simple	30–40
3B	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
4B	Prepare a correct trial balance.	Moderate	30–40
5B	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50

**WEYGANDT ACCOUNTING PRINCIPLES 11E**  
**CHAPTER 2**  
**THE RECORDING PROCESS**

<b>Number</b>	<b>LO</b>	<b>BT</b>	<b>Difficulty</b>	<b>Time (min.)</b>
BE1	2	C	Simple	6–8
BE2	2	C	Simple	4–6
BE3	4	AP	Simple	4–6
BE4	3	C	Moderate	4–6
BE5	2	C	Simple	6–8
BE6	4	AP	Simple	4–6
BE7	6	AP	Simple	4–6
BE8	6	AP	Simple	4–6
BE9	7	AP	Simple	4–6
BE10	7	AN	Moderate	6–8
DI1	2	C	Simple	3–5
DI2	4	AP	Simple	3–5
DI3	6	AP	Simple	2–4
DI4	7	AP	Simple	6–8
EX1	1	K	Simple	2–4
EX2	2	C	Simple	10–15
EX3	4	AP	Simple	8–10
EX4	2	C	Simple	6–8
EX5	4	AP	Simple	6–8
EX6	2–4	AP	Simple	6–8
EX7	2–4	AP	Simple	8–10
EX8	5	K	Simple	2–4
EX9	6, 7	AP	Simple	10–12
EX10	4, 7	AP	Moderate	10–12
EX11	4, 7	AP	Moderate	12–15
EX12	4, 6	AP	Moderate	12–15
EX13	7	AN	Moderate	6–8
EX14	2, 7	AP	Simple	8–10

## THE RECORDING PROCESS (Continued)

Number	LO	BT	Difficulty	Time (min.)
P1A	2, 4	AP	Simple	20–30
P2A	2, 4, 6, 7	AP	Simple	30–40
P3A	2, 4, 6, 7	AP	Moderate	40–50
P4A	7	AN	Moderate	30–40
P5A	2, 4, 6, 7	AP	Moderate	40–50
P1B	2, 4	AP	Simple	20–30
P2B	2, 4, 6, 7	AP	Simple	30–40
P3B	2, 4, 6, 7	AP	Moderate	40–50
P4B	7	AN	Moderate	30–40
P5B	2, 4, 6, 7	AP	Moderate	40–50
BYP1	2	C	Simple	8–10
BYP2	2, 4	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	—	AP, S	Simple	15–20
BYP5	6, 7	AP, S	Moderate	20–30
BYP6	3, 6	S	Simple	10–15
BYP7	7	AN, E	Moderate	10–15
BYP8	—	E	Moderate	10–15
BYP9	—	E	Moderate	15–20
BYP10	—	E	Moderate	15–20

**Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems**

Learning Objective	Knowledge	Comprehension
1. Explain what an account is and how it helps in the recording process.	Q2-1 E2-1	
2. Define debits and credits and explain their use in recording business transactions.	Q2-21	Q2-2 Q2-7 BE2-2 Q2-3 Q2-8 BE2-5 Q2-4 Q2-9 DI2-1 Q2-5 BE2-1 E2-2 Q2-6 E2-4
3. Identify the basic steps in the recording process.	Q2-10	Q2-19 BE2-4
4. Explain what a journal is and how it helps in the recording process.	Q2-12	Q2-11 Q2-13 Q2-14

# ANSWERS TO QUESTIONS

1. A T account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.
2. Disagree. The terms debit and credit mean left and right respectively.
3. Heath is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.
4. Erica is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.
5.
  - (a) Asset accounts are increased by debits and decreased by credits.
  - (b) Liability accounts are decreased by debits and increased by credits.
  - (c) Revenues and owner's capital are increased by credits and decreased by debits. Expenses and owner's drawing are increased by debits and decreased by credits.
6.
  - (a) Accounts Receivable—debit balance.
  - (b) Cash—debit balance.
  - (c) Owner's Drawings—debit balance.
  - (d) Accounts Payable—credit balance.
  - (e) Service Revenue—credit balance.
  - (f) Salaries and Wages Expense—debit balance.
  - (g) Owner's Capital—credit balance.
7.
  - (a) Accounts Receivable—asset—debit balance.
  - (b) Accounts Payable—liability—credit balance
  - (c) Equipment—asset—debit balance.
  - (d) Owner's Drawings—owner's equity—debit balance.
  - (e) Supplies—asset—debit balance.
8.
  - (a) Debit Supplies and credit Accounts Payable.
  - (b) Debit Cash and credit Notes Payable.
  - (c) Debit Salaries and Wages Expense and credit Cash.
9.
  - (1) Cash—both debit and credit entries.
  - (2) Accounts Receivable—both debit and credit entries.
  - (3) Owner's Drawings—debit entries only.
  - (4) Accounts Payable—both debit and credit entries.
  - (5) Salaries and Wages Expense—debit entries only.
  - (6) Service Revenue—credit entries only.
10. The basic steps in the recording process are:
  - (1) Analyze each transaction for its effect on the accounts.
  - (2) Enter the transaction information in a journal.
  - (3) Transfer the journal information to the appropriate accounts in the ledger.

## Questions Chapter 2 (Continued)

11. The advantages of using the journal in the recording process are:
- (1) It discloses in one place the complete effects of a transaction.
  - (2) It provides a chronological record of all transactions.
  - (3) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
12. (a) The debit should be entered first.  
(b) The credit should be indented.
13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid for with cash and the remainder is on account.
14. (a) No, debits and credits should not be recorded directly in the ledger.  
(b) The advantages of using the journal are:
1. It discloses in one place the complete effects of a transaction.
  2. It provides a chronological record of all transactions.
  3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
15. The advantage of the last step in the posting process is to indicate that the item has been posted.
16. (a) Cash ..... 9,000  
Owner's Capital ..... 9,000  
(Invested cash in the business)
- (b) Prepaid Insurance ..... 800  
Cash ..... 800  
(Paid one-year insurance policy)
- (c) Supplies ..... 2,000  
Accounts Payable ..... 2,000  
(Purchased supplies on account)
- (d) Cash ..... 7,500  
Service Revenue ..... 7,500  
(Received cash for services performed)
17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and owner's equity accounts, is referred to collectively as the ledger.  
(b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

## Questions Chapter 2 (Continued)

18. A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.
19. No, Victor is not correct. The proper sequence is as follows:
- (b) Business transaction occurs.
  - (c) Information entered in the journal.
  - (a) Debits and credits posted to the ledger.
  - (e) Trial balance is prepared.
  - (d) Financial statements are prepared.
20. (a) The trial balance would balance.  
(b) The trial balance would not balance.
21. The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.



# SOLUTIONS TO BRIEF EXERCISES

## BRIEF EXERCISE 2-1

	(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1. Accounts Payable	Decrease	Increase	Credit
2. Advertising Expense	Increase	Decrease	Debit
3. Service Revenue	Decrease	Increase	Credit
4. Accounts Receivable	Increase	Decrease	Debit
5. Owner's Capital	Decrease	Increase	Credit
6. Owner's Drawings	Increase	Decrease	Debit

## BRIEF EXERCISE 2-2

	<u>Account Debited</u>	<u>Account Credited</u>
June 1	Cash	Owner's Capital
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

## BRIEF EXERCISE 2-3

June 1	Cash .....	5,000	
	Owner's Capital .....		5,000
2	Equipment .....	2,100	
	Accounts Payable.....		2,100
3	Rent Expense .....	800	
	Cash .....		800
12	Accounts Receivable .....	300	
	Service Revenue.....		300

## BRIEF EXERCISE 2-4

The basic steps in the recording process are:

1. **Analyze each transaction.** In this step, business documents are examined to determine the effects of the transaction on the accounts.
2. **Enter each transaction in a journal.** This step is called journalizing and it results in making a chronological record of the transactions.
3. **Transfer journal information to ledger accounts.** This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.

## BRIEF EXERCISE 2-5

	(a) <u>Effect on Accounting Equation</u>	(b) <u>Debit-Credit Analysis</u>
Aug. 1	The asset Cash is increased; the owner's equity account Owner's Capital is increased.	Debits increase assets: debit Cash \$8,000. Credits increase owner's equity: credit Owner's Capital \$8,000.
4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance \$1,800. Credits decrease assets: credit Cash \$1,800.
16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash \$3,400. Credits increase revenues: credit Service Revenue \$3,400.
27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense \$1,000. Credits decrease assets: credit Cash \$1,000.

## BRIEF EXERCISE 2-6

Aug. 1	Cash.....	8,000	
	Owner's Capital .....		8,000
4	Prepaid Insurance.....	1,800	
	Cash .....		1,800
16	Cash.....	3,400	
	Service Revenue .....		3,400
27	Salaries and Wages Expense.....	1,000	
	Cash .....		1,000

## BRIEF EXERCISE 2-7

Cash		Service Revenue	
5/12	2,400	5/5	4,100
5/15	3,000	5/15	3,000
Ending Bal.	5,400	Ending Bal.	7,100

  

Accounts Receivable			
5/5	4,100	5/12	2,400
Ending Bal.	1,700		

## BRIEF EXERCISE 2-8

Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	2,400		2,400
15		J1	3,000		5,400

## BRIEF EXERCISE 2-8 (Continued)

### Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	4,100		4,100
12		J1		2,400	1,700

### Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		4,100	4,100
15		J1		3,000	7,100

## BRIEF EXERCISE 2-9

### DEROCHE COMPANY Trial Balance June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 5,800	
Accounts Receivable .....	3,000	
Equipment.....	17,000	
Accounts Payable.....		\$ 9,000
Owner's Capital .....		15,000
Owner's Drawings .....	1,200	
Service Revenue.....		10,000
Salaries and Wages Expense .....	6,000	
Rent Expense.....	1,000	
	<u>\$34,000</u>	<u>\$34,000</u>

## BRIEF EXERCISE 2-10

### HUEWITT COMPANY Trial Balance December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$10,800	
Prepaid Insurance .....	3,500	
Accounts Payable .....		\$ 3,000
Unearned Service Revenue .....		2,200
Owner's Capital .....		9,000
Owner's Drawings .....	4,500	
Service Revenue .....		25,600
Salaries and Wages Expense .....	18,600	
Rent Expense .....	2,400	
	<u>\$39,800</u>	<u>\$39,800</u>

### SOLUTIONS FOR DO IT! REVIEW EXERCISES

#### DO IT! 2-1

Ivan would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

Cash (debit balance)	Equipment (debit balance)
Supplies (debit balance)	Accounts Payable (credit balance)
Notes Payable (credit balance)	Owner's Capital (credit balance)

#### DO IT! 2-2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:

- |                      |       |       |
|----------------------|-------|-------|
| Cash.....            | 6,300 |       |
| Owner's Capital..... |       | 6,300 |
- |                       |       |     |
|-----------------------|-------|-----|
| Supplies .....        | 1,100 |     |
| Cash.....             |       | 400 |
| Accounts Payable..... |       | 700 |
- No entry because no transaction has occurred.

**DO IT! 2-3**

Cash			
4/1	1,600	4/16	700
4/3	3,400	4/20	300
4/30	4,000		

**DO IT! 2-4**

**RECHA COMPANY**  
**Trial Balance**  
**December 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 6,000	
Accounts Receivable .....	8,000	
Supplies .....	6,000	
Equipment.....	80,000	
Notes Payable.....		\$ 20,000
Accounts Payable.....		11,000
Salaries and Wages Payable .....		3,000
Owner's Capital .....		28,000
Owner's Drawings .....	8,000	
Service Revenue.....		88,000
Rent Expense.....	4,000	
Salaries and Wages Expense .....	38,000	
	<u>\$150,000</u>	<u>\$150,000</u>

# SOLUTIONS TO EXERCISES

## EXERCISE 2-1

1. **False.** An account is an accounting record of a specific asset, liability, *or owner's equity item*.
2. **False.** An account shows *increases and decreases* in the item it relates to.
3. **False.** Each asset, liability, and *owner's equity item has a separate account*.
4. **False.** An account has a left, or *debit* side, and a right, or *credit* side.
5. **True.**

Account Debited			Account Credited	
(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	Sp Ac
Cash	Increase	Debit	Owner's Equity	Owner's Capital
Equipment	Increase	Debit	Asset	Equipment
Supplies	Increase	Debit	Liability	Accounts Payable



## EXERCISE 2-3

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash .....		10,000	
	Owner's Capital .....			10,000
3	Equipment .....		4,000	
	Cash .....			4,000
9	Supplies .....		500	
	Accounts Payable .....			500
11	Accounts Receivable .....		2,100	
	Service Revenue .....			2,100
16	Advertising Expense .....		350	
	Cash .....			350
20	Cash .....		700	
	Accounts Receivable .....			700
23	Accounts Payable .....		300	
	Cash .....			300
28	Owner's Drawings .....		1,000	
	Cash .....			1,000

## EXERCISE 2-4

- Oct. 1    Debits increase assets: debit Cash \$15,000.  
             Credits increase owner's equity: credit Owner's Capital \$15,000.
- 2        No transaction.
- 3        Debits increase assets: debit Equipment \$1,900.  
             Credits increase liabilities: credit Accounts Payable \$1,900.

## EXERCISE 2-4 (Continued)

- Oct. 6    Debits increase assets: debit Accounts Receivable \$3,600.  
            Credits increase revenues: credit Service Revenue \$3,600.
- 27        Debits decrease liabilities: debit Accounts Payable \$1,100.  
            Credits decrease assets: credit Cash \$1,100.
- 30        Debits increase expenses: debit Salaries and Wages Expense  
            \$2,500.  
            Credits decrease assets: credit Cash \$2,500.

## EXERCISE 2-5

General Journal				
Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash .....		15,000	
	Owner's Capital .....			15,000
2	No entry.			
3	Equipment .....		1,900	
	Accounts Payable .....			1,900
6	Accounts Receivable .....		3,600	
	Service Revenue.....			3,600
27	Accounts Payable .....		1,100	
	Cash .....			1,100
30	Salaries and Wages Expense .....		2,500	
	Cash .....			2,500

## EXERCISE 2-6

- (a) 1. Increase the asset Cash, increase the liability Notes Payable.  
2. Increase the asset Equipment, decrease the asset Cash.  
3. Increase the asset Supplies, increase the liability Accounts Payable.
- (b)
- |    |                       |       |       |
|----|-----------------------|-------|-------|
| 1. | Cash .....            | 5,000 |       |
|    | Notes Payable .....   |       | 5,000 |
| 2. | Equipment.....        | 3,100 |       |
|    | Cash .....            |       | 3,100 |
| 3. | Supplies .....        | 850   |       |
|    | Accounts Payable..... |       | 850   |

## EXERCISE 2-7

- (a) **Assets = Liabilities + Owner's Equity**
- |    |   |   |              |
|----|---|---|--------------|
| 1. | + | + | (Investment) |
| 2. | - | - | (Expense)    |
| 3. | + | + | (Revenue)    |
| 4. | - | - | (Drawings)   |
- (b)
- |    |                           |       |       |
|----|---------------------------|-------|-------|
| 1. | Cash .....                | 4,000 |       |
|    | Owner's Capital .....     |       | 4,000 |
| 2. | Rent Expense .....        | 950   |       |
|    | Cash .....                |       | 950   |
| 3. | Accounts Receivable ..... | 5,200 |       |
|    | Service Revenue .....     |       | 5,200 |
| 4. | Owner's Drawings .....    | 750   |       |
|    | Cash .....                |       | 750   |

## EXERCISE 2-8

1. False. The general ledger contains all the asset, liability, *and owner's equity* accounts.
2. True.
3. False. The accounts in the general ledger are arranged in *financial statement order*: first the assets, then the liabilities, owner's capital, owner's drawings, revenues, and expenses.
4. True.
5. False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

## EXERCISE 2-9

(a)

Cash			
Aug. 1	5,000	Aug. 12	3,000
10	2,400		
31	900		
Bal.	5,300		

Notes Payable		
	Aug. 12	2,000

Owner's Capital		
	Aug. 1	5,000

Accounts Receivable			
Aug. 25	1,700	Aug. 31	900
Bal.	800		

Service Revenue		
	Aug. 10	2,400
	25	1,700
	Bal.	4,100

Equipment	
Aug. 12	5,000

(b) **TRISHA SPOOR, INVESTMENT BROKER**  
**Trial Balance**  
**August 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 5,300	
Accounts Receivable.....	800	
Equipment.....	5,000	
Notes Payable.....		\$ 2,000
Owner's Capital.....		5,000
Service Revenue.....		4,100
	<u>\$11,100</u>	<u>\$11,100</u>

## EXERCISE 2-10

(a)

General Journal				
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash .....		12,000	
	Owner's Capital .....			12,000
	(Owner's investment of cash in business)			
12	Cash .....		900	
	Service Revenue .....			900
	(Received cash for services performed)			
15	Salaries and Wages Expense .....		1,300	
	Cash .....			1,300
	(Paid salaries to date)			
25	Accounts Payable.....		1,500	
	Cash .....			1,500
	(Paid creditors on account)			
29	Cash .....		400	
	Accounts Receivable .....			400
	(Received cash in payment of account)			
30	Cash .....		1,000	
	Unearned Service Revenue .....			1,000
	(Received cash for future services)			

## EXERCISE 2-10 (Continued)

(b) **ZIMMER LANDSCAPING COMPANY**  
**Trial Balance**  
**April 30, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$11,500	
Accounts Receivable.....	2,800	
Supplies.....	1,800	
Accounts Payable .....		\$ 300
Unearned Service Revenue .....		1,000
Owner's Capital.....		12,000
Service Revenue .....		4,100
Salaries and Wages Expense.....	1,300	
	<u>\$17,400</u>	<u>\$17,400</u>

## EXERCISE 2-11

(a) Oct. 1	Cash.....	3,000	
	Owner's Capital .....		3,000
	(Owner's investment of cash in business)		
10	Cash.....	500	
	Service Revenue .....		500
	(Received cash for services performed)		
10	Cash.....	4,000	
	Notes Payable.....		4,000
	(Obtained loan from bank)		
20	Cash.....	500	
	Accounts Receivable .....		500
	(Received cash in payment of account)		
20	Accounts Receivable .....	940	
	Service Revenue .....		940
	(Billed clients for services performed)		

**EXERCISE 2-11 (Continued)****(b)**

**HARBACH CO.**  
**Trial Balance**  
**October 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 7,050	
Accounts Receivable.....	1,240	
Supplies .....	400	
Equipment.....	2,000	
Notes Payable .....		\$ 4,000
Accounts Payable.....		500
Owner's Capital .....		5,000
Owner's Drawings .....	300	
Service Revenue .....		2,240
Salaries and Wages Expense .....	500	
Rent Expense .....	250	
	<u>\$11,740</u>	<u>\$11,740</u>

**EXERCISE 2-12****(a)**

<b>General Journal</b>				<b>J1</b>
<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
Sept. 1	Cash.....	101	10,000	
	Owner's Capital .....	301		10,000
5	Equipment .....	157	12,000	
	Cash .....	101		4,000
	Accounts Payable .....	201		8,000
25	Accounts Payable .....	201	3,000	
	Cash .....	101		3,000
30	Owner's Drawings.....	306	700	
	Cash .....	101		700

**EXERCISE 2-12 (Continued)****(b)****Cash** **No. 101**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 1</b>		<b>J1</b>	<b>10,000</b>		<b>10,000</b>
<b>5</b>		<b>J1</b>		<b>4,000</b>	<b>6,000</b>
<b>25</b>		<b>J1</b>		<b>3,000</b>	<b>3,000</b>
<b>30</b>		<b>J1</b>		<b>700</b>	<b>2,300</b>

**Equipment** **No. 157**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 5</b>		<b>J1</b>	<b>12,000</b>		<b>12,000</b>

**Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 5</b>		<b>J1</b>		<b>8,000</b>	<b>8,000</b>
<b>25</b>		<b>J1</b>	<b>3,000</b>		<b>5,000</b>

**Owner's Capital** **No. 301**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 1</b>		<b>J1</b>		<b>10,000</b>	<b>10,000</b>

**Owner's Drawings** **No. 306**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
<b>Sept. 30</b>		<b>J1</b>	<b>700</b>		<b>700</b>



## EXERCISE 2-13

<u>Error</u>	<u>(a)</u> <u>In Balance</u>	<u>(b)</u> <u>Difference</u>	<u>(c)</u> <u>Larger Column</u>
1.	No	\$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	18	Credit

## EXERCISE 2-14

### LONGORIA DELIVERY SERVICE Trial Balance July 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash (\$78,821 – Debit total without Cash \$66,340) .....	\$12,481	
Accounts Receivable .....	7,642	
Prepaid Insurance .....	1,968	
Equipment.....	49,360	
Notes Payable.....		\$17,000
Accounts Payable .....		8,396
Salaries and Wages Payable .....		815
Owner's Capital .....		42,000
Owner's Drawings .....	700	
Service Revenue .....		10,610
Salaries and Wages Expense .....	4,428	
Maintenance and Repairs Expense.....	961	
Gasoline Expense .....	758	
Utilities Expense .....	523	
	<u>\$78,821</u>	<u>\$78,821</u>

# SOLUTIONS TO PROBLEMS

**PROBLEM 2-1A**

**J1**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 1</b>	<b>Cash.....</b>		<b>20,000</b>	
	<b>Owner's Capital .....</b>			<b>20,000</b>
	<b>(Owner's investment of cash</b>			
	<b>in business)</b>			
<b>3</b>	<b>Land.....</b>		<b>12,000</b>	
	<b>Buildings .....</b>		<b>2,000</b>	
	<b>Equipment.....</b>		<b>1,000</b>	
	<b>Cash .....</b>			<b>15,000</b>
	<b>(Purchased Sable's Golf Land)</b>			
<b>5</b>	<b>Advertising Expense .....</b>		<b>700</b>	
	<b>Cash .....</b>			<b>700</b>
	<b>(Paid for advertising)</b>			
<b>6</b>	<b>Prepaid Insurance.....</b>		<b>600</b>	
	<b>Cash .....</b>			<b>600</b>
	<b>(Paid for one-year insurance</b>			
	<b>policy)</b>			
<b>10</b>	<b>Equipment.....</b>		<b>1,050</b>	
	<b>Accounts Payable.....</b>			<b>1,050</b>
	<b>(Purchased equipment on</b>			
	<b>account)</b>			
<b>18</b>	<b>Cash.....</b>		<b>1,100</b>	
	<b>Service Revenue.....</b>			<b>1,100</b>
	<b>(Received cash for services</b>			
	<b>performed)</b>			
<b>19</b>	<b>Cash.....</b>		<b>1,500</b>	
	<b>Unearned Service Revenue.....</b>			<b>1,500</b>
	<b>(Received cash for coupon</b>			
	<b>books sold)</b>			

**PROBLEM 2-1A (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 25</b>	<b>Owner's Drawings.....</b>		<b>800</b>	
	<b>Cash .....</b>			<b>800</b>
	<b>(Withdrew cash for personal use)</b>			
<b>30</b>	<b>Salaries and Wages Expense.....</b>		<b>250</b>	
	<b>Cash .....</b>			<b>250</b>
	<b>(Paid salaries)</b>			
<b>30</b>	<b>Accounts Payable .....</b>		<b>1,050</b>	
	<b>Cash .....</b>			<b>1,050</b>
	<b>(Paid creditor on account)</b>			
<b>31</b>	<b>Cash.....</b>		<b>2,100</b>	
	<b>Service Revenue .....</b>			<b>2,100</b>
	<b>(Received cash for services performed)</b>			

# **PROBLEM 2-2A**

(a)

**J1**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 1</b>	<b>Cash.....</b>	<b>101</b>	<b>20,000</b>	
	<b>    Owner's Capital .....</b>	<b>301</b>		<b>20,000</b>
	<b>        (Owner's investment of cash</b>			
	<b>        in business)</b>			
<b>1</b>	<b>No entry—not a transaction.</b>			
<b>2</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>1,100</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,100</b>
	<b>        (Paid monthly office rent)</b>			
<b>3</b>	<b>Supplies.....</b>	<b>126</b>	<b>4,000</b>	
	<b>    Accounts Payable.....</b>	<b>201</b>		<b>4,000</b>
	<b>        (Purchased supplies on</b>			
	<b>        account from Smile Company)</b>			
<b>10</b>	<b>Accounts Receivable.....</b>	<b>112</b>	<b>5,100</b>	
	<b>    Service Revenue.....</b>	<b>400</b>		<b>5,100</b>
	<b>        (Billed clients for services</b>			
	<b>        performed)</b>			
<b>11</b>	<b>Cash.....</b>	<b>101</b>	<b>1,000</b>	
	<b>    Unearned Service Revenue.....</b>	<b>209</b>		<b>1,000</b>
	<b>        (Received cash for future</b>			
	<b>        service)</b>			
<b>20</b>	<b>Cash.....</b>	<b>101</b>	<b>2,100</b>	
	<b>    Service Revenue.....</b>	<b>400</b>		<b>2,100</b>
	<b>        (Received cash for services</b>			
	<b>        performed)</b>			
<b>30</b>	<b>Salaries and Wages Expense.....</b>	<b>726</b>	<b>2,800</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,800</b>
	<b>        (Paid monthly salary)</b>			

**PROBLEM 2-2A (Continued)**

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable .....	201	2,400	
	Cash .....	101		2,400
	(Paid Smile Company on account)			

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,100	18,900
11		J1	1,000		19,900
20		J1	2,100		22,000
30		J1		2,800	19,200
30		J1		2,400	16,800

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,400		1,600

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

## PROBLEM 2-2A (Continued)

### Owner's Capital No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		20,000	20,000

### Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,100	5,100
20		J1		2,100	7,200

### Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,800		2,800

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,100		1,100

(c) **BRIDGETTE KEYES, DENTIST**  
**Trial Balance**  
**April 30, 2014**

	Debit	Credit
Cash.....	\$16,800	
Accounts Receivable.....	5,100	
Supplies.....	4,000	
Accounts Payable .....		\$ 1,600
Unearned Service Revenue .....		1,000
Owner's Capital.....		20,000
Service Revenue .....		7,200
Salaries and Wages Expense.....	2,800	
Rent Expense .....	1,100	
	<u>\$29,800</u>	<u>\$29,800</u>

# **PROBLEM 2-3A**

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash .....	40,000	
	Owner's Capital .....		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent .....	24,000	
	Cash .....		24,000
4.	Equipment .....	30,000	
	Cash .....		10,000
	Accounts Payable .....		20,000
5.	Prepaid Insurance .....	1,800	
	Cash .....		1,800
6.	Supplies .....	500	
	Cash .....		500
7.	Supplies .....	1,500	
	Accounts Payable .....		1,500
8.	Cash .....	8,000	
	Accounts Receivable .....	12,000	
	Service Revenue .....		20,000
9.	Accounts Payable .....	400	
	Cash .....		400
10.	Cash .....	3,000	
	Accounts Receivable .....		3,000
11.	Utilities Expense .....	350	
	Accounts Payable .....		350

## PROBLEM 2-3A (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense .....	6,100	
	Cash .....		6,100

(b)

Cash			
(1)	40,000	(3)	24,000
		(4)	10,000
		(5)	1,800
		(6)	500
(8)	8,000	(9)	400
(10)	3,000	(12)	6,100
	8,200		

Accounts Receivable			
(8)	12,000	(10)	3,000
	9,000		

Supplies			
(6)	500		
(7)	1,500		
	2,000		

Prepaid Insurance			
(5)	1,800		
	1,800		

Prepaid Rent			
(3)	24,000		
	24,000		

Equipment			
(4)	30,000		
	30,000		

Accounts Payable			
		(4)	20,000
		(7)	1,500
(9)	400	(11)	350
			21,450

Owner's Capital			
		(1)	40,000
			40,000

Service Revenue			
		(8)	20,000
			20,000

Salaries and Wages Expense			
(12)	6,100		
	6,100		

Utilities Expense			
(11)	350		
	350		



**PROBLEM 2-3A (Continued)**

**(c)**

**SANTA ANA SERVICES  
Trial Balance  
May 31, 2014**

	<b>Debit</b>	<b>Credit</b>
Cash.....	\$ 8,200	
Accounts Receivable.....	9,000	
Supplies .....	2,000	
Prepaid Insurance.....	1,800	
Prepaid Rent .....	24,000	
Equipment.....	30,000	
Accounts Payable.....		\$21,450
Owner's Capital .....		40,000
Service Revenue .....		20,000
Salaries and Wages Expense .....	6,100	
Utilities Expense .....	350	
	<u>\$81,450</u>	<u>\$81,450</u>

# **PROBLEM 2-4A**

## **MARIUS SANTIAGO CO. Trial Balance June 30, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash (\$3,340 + \$270) .....	\$ 3,610	
Accounts Receivable (\$2,812 – \$270) .....	2,542	
Supplies (\$1,200 – \$710) .....	490	
Equipment (\$2,600 + \$710) .....	3,310	
Accounts Payable (\$3,666 – \$306 – \$360) .....		\$ 3,000
Unearned Service Revenue .....		1,100
Owner's Capital .....		8,000
Owner's Drawings (\$800 + \$600) .....	1,400	
Service Revenue (\$2,480 + \$882) .....		3,362
Salaries and Wages Expense (\$3,200 + \$700 – \$600) .....	3,300	
Utilities Expense .....	810	
	<u>\$15,462</u>	<u>\$15,462</u>

<b>PROBLEM 2-5A</b>
---------------------

(a) & (c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,000		5,500
10		J1		4,100	1,400
12		J1		800	600
20		J1	5,000		5,600
20		J1		2,000	3,600
31		J1		3,100	500
31		J1	450		950
31		J1	9,000		9,950

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	450		450

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			24,000

Buildings					No. 145
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

**PROBLEM 2-5A (Continued)****Accounts Payable** **No. 201**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 1	Balance	✓			7,000
2		J1		2,000	9,000
10		J1	4,100		4,900

**Owner's Capital** **No. 301**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 1	Balance	✓			40,000

**Service Revenue** **No. 400**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 9		J1		4,000	4,000
20		J1		5,000	9,000
31		J1		9,000	18,000

**Rent Revenue** **No. 429**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar.31		J1		900	900

**Advertising Expense** **No. 610**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar.12		J1	800		800

**Salaries and Wages Expense** **No. 726**

<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Mar. 31		J1	3,100		3,100

# **PROBLEM 2-5A (Continued)**

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,500		3,500
20		J1	2,000		5,500

(b)

					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
Mar. 2	Rent Expense .....	729	3,500		
	Accounts Payable .....	201		2,000	
	Cash .....	101		1,500	
	(Rented films for cash and on account)				
3	No entry.				
9	Cash .....	101	4,000		
	Service Revenue.....	400		4,000	
	(Received cash for services performed)				
10	Accounts Payable (\$2,000 + \$2,100) .....	201	4,100		
	Cash .....	101		4,100	
	(Paid creditors on account)				
11	No entry.				
12	Advertising Expense .....	610	800		
	Cash .....	101		800	
	(Paid advertising expense)				
20	Cash .....	101	5,000		
	Service Revenue.....	400		5,000	
	(Received cash for services performed)				
20	Rent Expense .....	729	2,000		
	Cash .....	101		2,000	
	(Paid film rental)				

# **PROBLEM 2-5A (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Mar. 31</b>	<b>Salaries and Wages Expense.....</b>	<b>726</b>	<b>3,100</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>3,100</b>
	<b>        (Paid salaries expense)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>450</b>	
	<b>Accounts Receivable.....</b>	<b>112</b>	<b>450</b>	
	<b>    Rent Revenue.....</b>	<b>429</b>		<b>900</b>
	<b>        (15% X \$6,000)</b>			
	<b>        (Received cash and balance</b>			
	<b>        on account for rent</b>			
	<b>        revenue)</b>			
<b>31</b>	<b>Cash.....</b>	<b>101</b>	<b>9,000</b>	
	<b>    Service Revenue.....</b>	<b>400</b>		<b>9,000</b>
	<b>        (Received cash for services</b>			
	<b>        performed)</b>			

**(d)**

**LUNT THEATER**  
**Trial Balance**  
**March 31, 2014**

	<b>Debit</b>	<b>Credit</b>
<b>Cash .....</b>	<b>\$ 9,950</b>	
<b>Accounts Receivable .....</b>	<b>450</b>	
<b>Land.....</b>	<b>24,000</b>	
<b>Buildings.....</b>	<b>10,000</b>	
<b>Equipment.....</b>	<b>10,000</b>	
<b>Accounts Payable.....</b>		<b>\$ 4,900</b>
<b>Owner's Capital .....</b>		<b>40,000</b>
<b>Service Revenue.....</b>		<b>18,000</b>
<b>Rent Revenue .....</b>		<b>900</b>
<b>Advertising Expense .....</b>	<b>800</b>	
<b>Salaries and Wages Expense .....</b>	<b>3,100</b>	
<b>Rent Expense.....</b>	<b>5,500</b>	
	<b><u>\$63,800</u></b>	<b><u>\$63,800</u></b>

PROBLEM 2-1B
--------------

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash .....		35,000	
	Owner's Capital .....			35,000
	(Owner's investment of cash in business)			
4	Land .....		27,000	
	Cash .....			27,000
	(Purchased land for cash)			
8	Advertising Expense .....		1,800	
	Accounts Payable .....			1,800
	(Incurred advertising expense on account)			
11	Salaries and Wages Expense .....		1,500	
	Cash .....			1,500
	(Paid salaries)			
12	No entry—Not a transaction.			
13	Prepaid Insurance .....		1,650	
	Cash .....			1,650
	(Paid for one-year insurance policy)			
17	Owner's Drawings .....		1,000	
	Cash .....			1,000
	(Withdrew cash for personal use)			
20	Cash .....		6,800	
	Service Revenue .....			6,800
	(Received cash for services performed)			

**PROBLEM 2-1B (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 25</b>	<b>Cash .....</b>		<b>2,500</b>	
	<b>    Unearned Service Revenue .....</b>			<b>2,500</b>
	<b>        (Received cash for future services)</b>			
<b>30</b>	<b>Cash .....</b>		<b>8,900</b>	
	<b>    Service Revenue .....</b>			<b>8,900</b>
	<b>        (Received cash for services performed)</b>			
<b>30</b>	<b>Accounts Payable.....</b>		<b>900</b>	
	<b>    Cash .....</b>			<b>900</b>
	<b>        (Paid creditor on account)</b>			



# **PROBLEM 2-2B**

(a)

				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
May 1	Cash .....	101	20,000	
	Owner's Capital .....	301		20,000
	(Owner's investment of cash in business)			
2	No entry—not a transaction.			
3	Supplies .....	126	2,500	
	Accounts Payable .....	201		2,500
	(Purchased supplies on account)			
7	Rent Expense .....	729	900	
	Cash .....	101		900
	(Paid office rent)			
11	Accounts Receivable .....	112	3,200	
	Service Revenue.....	400		3,200
	(Billed client for services performed)			
12	Cash .....	101	3,500	
	Unearned Service Revenue .....	209		3,500
	(Received cash for future services)			
17	Cash .....	101	1,200	
	Service Revenue.....	400		1,200
	(Received cash for services performed)			
31	Salaries and Wages Expense .....	726	2,000	
	Cash .....	101		2,000
	(Paid salaries)			

## PROBLEM 2-2B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
May 31	Accounts Payable (\$2,500 X 60%) .....	201	1,500	
	Cash .....	101		1,500
	(Paid creditor on account)			

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		1,500	20,300

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1	3,200		3,200

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1	2,500		2,500

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1		2,500	2,500
31		J1	1,500		1,000

Unearned Service Revenue					No. 209
Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1		3,500	3,500

## PROBLEM 2-2B (Continued)

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1		20,000	20,000

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1		3,200	3,200
17		J1		1,200	4,400

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
May 31		J1	2,000		2,000

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
May 7		J1	900		900

(c)

### IRIS BECK, CPA Trial Balance May 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$20,300	
Accounts Receivable.....	3,200	
Supplies .....	2,500	
Accounts Payable.....		\$ 1,000
Unearned Service Revenue.....		3,500
Owner's Capital .....		20,000
Service Revenue .....		4,400
Salaries and Wages Expense .....	2,000	
Rent Expense .....	900	
	<u>\$28,900</u>	<u>\$28,900</u>

# **PROBLEM 2-3B**

(a) & (c)

## **Cash**

<b>Balance</b>	<b>8,000</b>		
		(1)	1,000
		(3)	2,000
<b>(4)</b>	<b>14,000</b>		
		(5)	15,000
<b>(7)</b>	<b>6,000</b>		
		(8)	3,500
		(9)	3,000
	<b>3,500</b>		

## **Accounts Receivable**

<b>Balance</b>	<b>15,000</b>		
		(4)	14,000
<b>(7)</b>	<b>9,000</b>		
	<b>10,000</b>		

## **Supplies**

<b>Balance</b>	<b>13,000</b>		
<b>(2)</b>	<b>4,200</b>		
		(6)	4,000
	<b>13,200</b>		

## **Prepaid Rent**

<b>Balance</b>	<b>3,000</b>		
	<b>3,000</b>		

## **Equipment**

<b>Balance</b>	<b>20,000</b>		
	<b>20,000</b>		

## **Accounts Payable**

		<b>Balance</b>	<b>19,000</b>
		(2)	4,200
<b>(5)</b>	<b>15,000</b>		
			<b>8,200</b>

## **Owner's Capital**

	<b>Balance</b>	<b>40,000</b>
		<b>40,000</b>

## **Owner's Drawings**

<b>(9)</b>	<b>3,000</b>	
	<b>3,000</b>	

## **Service Revenue**

	<b>(7)</b>	<b>15,000</b>
		<b>15,000</b>

## **Advertising Expense**

<b>(1)</b>	<b>1,000</b>	
	<b>1,000</b>	

## **Miscellaneous Expense**

<b>(3)</b>	<b>2,000</b>	
	<b>2,000</b>	

## **Supplies Expense**

<b>(6)</b>	<b>4,000</b>	
	<b>4,000</b>	

## **Salaries and Wages Expense**

<b>(8)</b>	<b>3,500</b>	
	<b>3,500</b>	

**PROBLEM 2-3B (Continued)****(b)**

<b>Trans.</b>	<b>Account Titles and Explanation</b>	<b>Debit</b>	<b>Credit</b>
1.	Advertising Expense .....	1,000	
	Cash .....		1,000
2.	Supplies .....	4,200	
	Accounts Payable .....		4,200
3.	Miscellaneous Expense .....	2,000	
	Cash .....		2,000
4.	Cash .....	14,000	
	Accounts Receivable .....		14,000
5.	Accounts Payable .....	15,000	
	Cash .....		15,000
6.	Supplies Expense .....	4,000	
	Supplies .....		4,000
7.	Cash .....	6,000	
	Accounts Receivable .....	9,000	
	Service Revenue .....		15,000
8.	Salaries and Wages Expense .....	3,500	
	Cash .....		3,500
9.	Owner's Drawings .....	3,000	
	Cash .....		3,000

**PROBLEM 2-3B (Continued)**

**(d) VIAN REPAIR SERVICE  
Trial Balance  
January 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 3,500	
Accounts Receivable.....	10,000	
Supplies.....	17,200	
Prepaid Rent.....	3,000	
Equipment.....	20,000	
Accounts Payable.....		\$ 8,200
Owner's Capital.....		40,000
Owner's Drawings.....	3,000	
Service Revenue.....		15,000
Advertising Expense.....	1,000	
Miscellaneous Expense.....	2,000	
Salaries and Wages Expense.....	3,500	
	<u>\$63,200</u>	<u>\$63,200</u>

<b>PROBLEM 2-4B</b>
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**SEAN DEVINE COMPANY**  
**Trial Balance**  
**May 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash (\$5,850 + \$520 – \$486) .....	\$ 5,884	
Accounts Receivable (\$2,570 – \$210) .....	2,360	
Prepaid Insurance (\$700 + \$100) .....	800	
Supplies (\$0 + \$520) .....	520	
Equipment (\$8,000 – \$520) .....	7,480	
Accounts Payable (\$4,500 – \$100 + \$520 – \$210) .....		\$ 4,710
Unearned Service Revenue .....		650
Owner's Capital (\$11,700 + \$1,000) .....		12,700
Owner's Drawings (\$0 + \$1,000) .....	1,000	
Service Revenue .....		6,960
Salaries and Wages Expense (\$4,200 + \$200) .....	4,400	
Advertising Expense (\$1,100 + \$486) .....	1,586	
Utilities Expense (\$890 + \$100) .....	990	
	<u>\$25,020</u>	<u>\$25,020</u>

**PROBLEM 2-5B**

(a) & (c)

<b>Cash</b>					<b>No. 101</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			4,000
2		J1		1,100	2,900
9		J1	2,800		5,700
10		J1		3,000	2,700
12		J1		500	2,200
25		J1	5,200		7,400
29		J1		2,000	5,400
30		J1	85		5,485
30		J1		1,200	4,285

<b>Accounts Receivable</b>					<b>No. 112</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 30		J1	85		85

<b>Prepaid Rent</b>					<b>No. 136</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 30		J1	1,200		1,200

<b>Land</b>					<b>No. 140</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			10,000

<b>Buildings</b>					<b>No. 145</b>
<b>Date</b>	<b>Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Apr. 1	Balance	✓			8,000



**PROBLEM 2-5B (Continued)****Equipment** **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000

**Accounts Payable** **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,000
10		J1	1,000		1,000
20		J1		1,000	2,000

**Mortgage Payable** **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			8,000
10		J1	2,000		6,000

**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			18,000

**Service Revenue** **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 9		J1		2,800	2,800
25		J1		5,200	8,000

**Rent Revenue** **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1		170	170

## PROBLEM 2-5B (Continued)

### Advertising Expense No. 610

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 12		J1	500		500

### Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 29		J1	2,000		2,000

### Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,100		1,100
20		J1	1,000		2,100

(b)

### J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 2	Rent Expense .....	729	1,100	
	Cash .....	101		1,100
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash .....	101	2,800	
	Service Revenue .....	400		2,800
	(Received cash for services performed)			
10	Mortgage Payable .....	275	2,000	
	Accounts Payable .....	201	1,000	
	Cash .....	101		3,000
	(Made payments on mortgage and accounts payable)			

# **PROBLEM 2-5B (Continued)**

<b>Date</b>	<b>Account Titles and Explanation</b>	<b>Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>Apr. 11</b>	<b>No entry—not a transaction.</b>			
<b>12</b>	<b>Advertising Expense .....</b>	<b>610</b>	<b>500</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>500</b>
	<b>        (Paid advertising expenses)</b>			
<b>20</b>	<b>Rent Expense .....</b>	<b>729</b>	<b>1,000</b>	
	<b>    Accounts Payable .....</b>	<b>201</b>		<b>1,000</b>
	<b>        (Rented film on account)</b>			
<b>25</b>	<b>Cash .....</b>	<b>101</b>	<b>5,200</b>	
	<b>    Service Revenue.....</b>	<b>400</b>		<b>5,200</b>
	<b>        (Received cash for services performed)</b>			
<b>29</b>	<b>Salaries and Wages Expense .....</b>	<b>726</b>	<b>2,000</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>2,000</b>
	<b>        (Paid salaries expense)</b>			
<b>30</b>	<b>Cash .....</b>	<b>101</b>	<b>85</b>	
	<b>    Accounts Receivable .....</b>	<b>112</b>	<b>85</b>	
	<b>        Rent Revenue .....</b>	<b>429</b>		<b>170</b>
	<b>            (17% X \$1,000)</b>			
	<b>            (Received cash and balance on account for rent revenue)</b>			
<b>30</b>	<b>Prepaid Rent.....</b>	<b>136</b>	<b>1,200</b>	
	<b>    Cash .....</b>	<b>101</b>		<b>1,200</b>
	<b>        (Paid cash for future film rentals)</b>			

**PROBLEM 2-5B (Continued)**

**(d) CLASSIC THEATER  
Trial Balance  
April 30, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 4,285	
Accounts Receivable.....	85	
Prepaid Rent.....	1,200	
Land.....	10,000	
Buildings.....	8,000	
Equipment.....	6,000	
Accounts Payable.....		\$ 2,000
Mortgage Payable.....		6,000
Owner's Capital.....		18,000
Service Revenue.....		8,000
Rent Revenue.....		170
Advertising Expense.....	500	
Salaries and Wages Expense.....	2,000	
Rent Expense.....	2,100	
	<u>\$34,170</u>	<u>\$34,170</u>

(a) GENERAL JOURNAL		J1	
Account Titles and Explanation		Debit	Credit
Nov. 8	No entry required for cashing U.S. Savings Bonds—this is a personal transaction.		
8	Cash .....	500	
	Owner's Capital .....		500
11	Advertising Expense .....	65	
	Cash .....		65
13	Supplies .....	125	
	Cash .....		125
14	Equipment .....	300	
	Owner's Capital .....		300
16	Cash .....	2,000	
	Notes Payable .....		2,000
17	Equipment .....	900	
	Cash .....		900
20	Cash .....	125	
	Service Revenue .....		125
25	Cash .....	30	
	Unearned Service Revenue .....		30
30	Prepaid Insurance .....	1,320	
	Cash .....		1,320

## CCC2 (Continued)

(b)

Cash					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

Supplies					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 13		J1	125		125

Prepaid Insurance					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 30		J1	1,320		1,320

Equipment					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 14		J1	300		300
17		J1	900		1,200

Unearned Service Revenue					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30

**CCC2 (Continued)****(b) (Continued)**

Notes Payable					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 16		J1		2,000	2,000

Owner's Capital					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 20		J1		125	125

Advertising Expense					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 11		J1	65		65

CCC2 (Continued)

(c)

**COOKIE CREATIONS**  
**Trial Balance**  
**November 30, 2013**

	<u>Debit</u>	<u>Credit</u>
Cash .....	\$ 245	
Supplies .....	125	
Prepaid Insurance .....	1,320	
Equipment.....	1,200	
Unearned Service Revenue .....		\$ 30
Notes Payable.....		2,000
Owner's Capital .....		800
Service Revenue.....		125
Advertising Expense .....	65	
	<u>\$2,955</u>	<u>\$2,955</u>

**Note to instructors:** Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.



(a)	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
Account			
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Property, Plant, and Equipment	Debit	Credit	Debit
Cash and Cash Equivalents	Debit	Credit	Debit
Research and Development Expense	Debit	Credit	Debit
Inventories	Debit	Credit	Debit

- (b)
1. Cash is increased.
  2. Cash is decreased.
  3. Cash is decreased or Accounts Payable is increased.

- (c)
1. Cash is decreased.
  2. Cash is decreased or Notes or Mortgage Payable is increased.

	Amazon		Wal-Mart	
(a)	1. Interest Expense:	debit	1. Net Sales Revenues:	credit
	2. Cash and Cash Equivalents:	debit	2. Inventories:	debit
	3. Accounts Payable:	credit	3. Cost of Sales:	debit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Increase in Interest Expense: Cash is decreased (credited).
3. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
4. Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).

**The answer is dependent upon the company selected by the student.**

- (a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. They issue the report to the more than 100,000 shareholders who hold shares. None of the other teams are publicly owned, so they have no obligation to make their financial information available except to their small group of owners.
- (b) At the time that the article was written the owners of the NFL teams and the players' labor union were negotiating a new contract. Knowing how profitable the NFL teams are would be useful information for the players to know so that they would have a better sense of how much the teams could afford to pay. The Packers are obviously a "small market" team, they are not necessarily representative of teams in general. However, the Packers' annual report does give the players some sense of the profitability of other teams.
- (c) Since some of the cost of the stadium that the Packers play in is covered by taxpayers, the county and state government has an interest in the team's finances.
- (d) The Packers' revenues increased during recent years. However, because the cost of players' salaries increased at a faster rate than revenues, the Packers' operating profit actually declined.

- (a) May 1 Correct.
- 5 Correct.
- |    |                                |       |       |
|----|--------------------------------|-------|-------|
| 7  | Cash .....                     | 300   |       |
|    | Unearned Service Revenue ..... |       | 300   |
| 14 | Equipment.....                 | 800   |       |
|    | Cash .....                     |       | 800   |
| 15 | Owner's Drawings .....         | 400   |       |
|    | Cash .....                     |       | 400   |
| 20 | Cash .....                     | 184   |       |
|    | Service Revenue.....           |       | 184   |
| 30 | Correct.                       |       |       |
| 31 | Supplies .....                 | 1,700 |       |
|    | Accounts Payable.....          |       | 1,700 |
- (b) The errors in the entries of May 14 and 20 would prevent the trial balance from balancing.
- |  |                 |
|--|-----------------|
| (c) Net income as reported .....           | \$ 4,500        |
| Add: 5/15, Salaries expense                |                 |
| (Owner's Drawings) .....                   | <u>400</u>      |
|  | 4,900           |
| Less: 5/7, Boarding revenue unearned ..... | <u>300</u>      |
| Correct net income .....                   | <u>\$ 4,600</u> |
- |                                     |              |                 |
|-------------------------------------|--------------|-----------------|
| (d) Cash as reported .....          |              | \$12,475        |
| Add: 5/20, Transposition error..... | \$ 36        |                 |
| 5/31, Purchase on account.....      | <u>1,700</u> | <u>1,736</u>    |
|                                     |              | <u>\$14,211</u> |

**Date:** May 25, 2014

**To:** Accounting Instructor

**From:** Student

In the first transaction, bills totaling \$6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased \$6,000 and the revenue Service Revenue is increased \$6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable .....	6,000	
Service Revenue .....		6,000
(Billed customers for services performed)		

The \$6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, \$2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased \$2,000 and the asset Cash is decreased \$2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense .....	2,000	
Cash.....		2,000
(Salaries and wages paid)		

The \$2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

(a) The stakeholders in this situation are:

- ▶ Meredith Ward, assistant chief accountant.
- ▶ Users of the company's financial statements.
- ▶ The Frazier Company.

(b) By adding \$1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by \$1,000. If the amount of \$1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Meredith's action might not be considered unethical in the preparation of interim financial statements. However, if Meredith is violating a company accounting policy by her action, then she is acting unethically.

(c) Meredith's alternatives are:

1. Miss the deadline but find the error causing the imbalance.
2. Tell her supervisor of the imbalance and suffer the consequences.
3. Do as she did and locate the error later, making the adjustment in the next quarter.

The decision whether to fire Mr. Edmondson was the responsibility of Radio Shack's board of directors, which is elected by the company's shareholders to oversee management. The board initially announced its support for the CEO. After further investigation, the board encouraged Mr. Edmondson to resign, which he did. In contrast, when Bausch & Lomb's CEO offered to resign in a similar situation, the company's board refused to accept his resignation. Board members stated that they felt he was still the best person for the position.

Radio Shack says that although it did a reference check at the time of Mr. Edmondson's hiring, it did not check his educational credentials. Under the Sarbanes-Oxley Act, companies must now perform thorough background checks as part of a check of internal controls. The bottom line: Your résumé must be a fair and accurate depiction of your past.



- (a) Students' responses to this question will vary. It is important that the steps that they identify be as specific as possible, and clearly directed toward achieving their goal. You may wish to ask a follow-up question asking them to explain how each step will assist them in achieving their goal.
- (b) There are many sites on the Internet that provide information about preparing a résumé. For example, you can find extensive resources at: <http://www.rileyguide.com/resprep.html>. Many schools also have resources in their placement centers or writing labs. The Writing Center at Rensselaer Polytechnic Institute provides useful, concise information on its website at <http://www.ccp.rpi.edu/resources/careers-and-graduate-school/resumes>. A wide variety of sample résumés can be found. For example, Monster.com provides samples for a wide variety of professions and situations at <http://www.career-advice.monster.com/resumes-cover-letters/careers.aspx>.
- (c) It is important to provide accurate and complete documentation of all relevant training, education, and employment experiences so as to provide assurance to the potential employer, and also to enable that employer to do follow-up work. If you say you have certain skills, such as computer skills, try to substantiate the claim with recognized proof of proficiency. Make sure that all addresses and phone numbers are accurate and up-to-date. Also, ensure that the people you use as references have a copy of your résumé and cover letter, and that they are informed that you are interviewing so they know to expect a call.
- (d) See the sample résumés provided in the websites above for various format options. You might also mention to students that there are electronic résumé templates available on the Internet.

- (a) The existence of three different forms of certification would most likely create confusion for coffee purchasers. It would be difficult to know what aspects of the coffee growing process each certification covered. Similarly, if there were multiple groups that certified financial statements, each with different criteria, it would be difficult for financial statement users to know what each certification promised.
- (b) The Starbucks certification appears to be the most common in that area. It has the advantage of having a direct link to the Starbucks coffee market. Although it does not guarantee that Starbucks will buy its coffee, it is a requirement that must be met before Starbucks will buy somebody's coffee. Note that the article states that the Starbucks certification "incorporates elements of social responsibility and environmental leadership, but quality of coffee is the first criteria." The Smithsonian Bird Friendly is considered to have the strictest requirements and, as a result, appears to be the least common.
- (c) The certifications have multiple objectives including organic farming as a means to protect bird species, biodiversity and wildlife habitat. Some included requirements are to improve workers' living conditions, such as providing running water in worker housing, child labor regulations and education requirements. As mentioned above, the Starbucks certification has the potential financial benefit of making Starbucks a potential customer, which can stabilize farmers' earnings. Certifications can also be financially beneficial because companies can benefit from the positive public relations effects of either producing or buying coffee produced using sustainable practices.

### IFRS 2-1

In deciding whether the U.S. should adopt IFRS, the SEC should consider the following.

- Whether IFRS is sufficiently developed and consistent in application
- Whether the IASB is sufficiently independent
- Whether IFRS is established for the benefit to investors
- The issues involved in educating investors about IFRS
- The impact of a switch to IFRS on U.S. laws and regulations
- The impact on companies including changes to their accounting systems, contractual arrangements, corporate governance, and litigation
- The issues involved in educating accountants, so they can prepare statements under IFRS

**IFRS 2-2 INTERNATIONAL FINANCIAL REPORTING PROBLEM**

<b>Account</b>	<b>Financial Statement</b>	<b>Position in Financial Statement</b>
<b>Other administrative expenses</b>	<b>Consolidated Income statement</b>	<b>After gross profit and before operating profit</b>
<b>Cash at bank</b>	<b>Consolidated Balance Sheet</b>	<b>Current assets</b>
<b>Borrowings and overdrafts</b>	<b>Consolidated Balance Sheet</b>	<b>Current and Non-current liabilities</b>
<b>Finance costs</b>	<b>Consolidated Income Statement</b>	<b>After Operating profit and before Profit from continuing operations before taxation.</b>