

CHAPTER 7

Accounting Information Systems

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. Identify the basic concepts of an accounting information system.	1, 2, 3, 4	1, 2, 3				
2. Describe the nature and purpose of a subsidiary ledger.	5, 6, 9, 11,16	4, 5	1	1, 2, 3, 4, 5, 11, 12, 13	1A, 2A, 3A, 4A, 5A, 6A	1B, 2B, 3B, 4B, 5B
3. Explain how companies use special journals in journalizing.	7, 8, 10, 11, 12, 13, 14, 15, 17	6, 7, 8, 9, 10	2	1, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14	1A, 2A, 3A, 4A, 5A, 6A	1B, 2B, 3B, 4B, 5B

ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2A	Journalize transactions in cash payments journal; post to control account and subsidiary ledgers.	Simple	30–40
3A	Journalize transactions in multi-column purchases journal and sales journal; post to the general and subsidiary ledgers.	Moderate	40–50
4A	Journalize transactions in special journals.	Moderate	50–60
5A	Journalize in sales and cash receipts journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70
6A	Journalize in special journals; post; prepare a trial balance.	Complex	60–70
1B	Journalize transactions in cash receipts journal; post to control account and subsidiary ledger.	Simple	30–40
2B	Journalize transactions in cash payments journal; post to the general and subsidiary ledgers.	Simple	30–40
3B	Journalize transactions in multi-column purchases journal and sales journal; post to the general and subsidiary ledgers.	Moderate	40–50
4B	Journalize transactions in special journals.	Moderate	50–60
5B	Journalize in purchases and cash payments journals; post; prepare a trial balance; prove control to subsidiary; prepare adjusting entries; prepare an adjusted trial balance.	Moderate	60–70

WEYGANDT ACCOUNTING PRINCIPLES 11E
CHAPTER 7
ACCOUNTING INFORMATION SYSTEMS

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

ACCOUNTING INFORMATION SYSTEMS (Continued)

Number	LO	BT	Difficulty	Time (min.)
P1A	2, 3	AP	Simple	30–40
P2A	2, 3	AP	Simple	30–40
P3A	2, 3	AP	Moderate	40–50
P4A	2, 3	AP	Moderate	50–60
P5A	2, 3	AP	Moderate	60–70
P6A	2, 3	AP	Complex	60–70
P1B	2, 3	AP	Simple	30–40
P2B	2, 3	AP	Simple	30–40
P3B	2, 3	AP	Moderate	40–50
P4B	2, 3	AP	Moderate	50–60
P5B	2, 3	AP	Moderate	60–70
BYP1	3	AP	Moderate	80–90
BYP2	1	C	Simple	10–15
BYP3	2, 3	E	Moderate	15–20
BYP4	3	E	Simple	10–15
BYP5	—	E	Simple	10–15
BYP6	1	E	Simple	8–10

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

Learning Objective	Knowledge	Comprehension
1. Identify the basic concepts of an accounting information system.		Q7-1 Q7-2 Q7-3 Q7-4
2. Describe the nature and purpose of a subsidiary ledger.	Q7-5	Q7-6 Q7-9 Q7-16 BE7-4 BE7-5 E7-2 E7-11

ANSWERS TO QUESTIONS

1. (a) An accounting information system collects and processes transaction data and communicates financial information to decision makers.
(b) Disagree. An accounting information system applies regardless of whether manual or computerized procedures are used to process the transaction data.
2. There are three principles for developing an accounting information system:
Cost effectiveness. The system must be cost-effective; that is, the benefits obtained from the information must outweigh the cost of providing it.
Useful output. To be useful, information must be understandable, relevant, reliable, timely, and accurate.
Flexibility. The system should accommodate a variety of users and changing information needs.
3. Common features of a computerized accounting package beyond recording transactions and preparing financial statements are: easy data access and report preparation; audit trail, internal controls, customization; and network compatibility.
4. ERP systems go far beyond the functions of an entry-level general ledger package. They integrate all aspects of the organization, including accounting, sales, human resource management, and manufacturing.
5. A subsidiary ledger is a group of accounts with a common characteristic. The accounts are assembled together to facilitate the accounting process by freeing the general ledger from details concerning individual balances. The advantages of using subsidiary ledgers are that they:
 - Show in a single account transactions affecting a single customer or single creditor, thus providing up-to-date information on specific account balances.
 - Free the general ledger of excessive details relating to accounts receivable and accounts payable. As a result, a trial balance of the general ledger does not contain vast numbers of individual account balances.
 - Assist in locating errors in individual accounts by reducing the number of accounts in one ledger and by using control accounts.
 - Permit a division of labor in posting by having one employee post to the general ledger and (a) different employee(s) post to the subsidiary ledgers.
6. (a) (1) Transactions to subsidiary accounts are generally posted daily.
(2) In contrast, postings to the control accounts are usually made in total at the end of the month.
(b) A control account is a general ledger account that summarizes subsidiary ledger data. Subsidiary ledger accounts keep track of specific account activity (i.e., specific debtors or creditors). A subsidiary ledger is an addition to, and an expansion of, the general ledger.

Questions Chapter 7 (Continued)

7. Sales journal. Records entries for all sales of merchandise on account.
Cash receipts journal. Records entries for all cash received by the business.
Purchases journal. Records entries for all purchases of merchandise on account.
Cash payments journal. Records entries for all cash paid.

Some advantages of each journal are given below:

- Sales journal. (1) Since the sales journal employs only one line to record a Sales transaction, its use reduces recording time; (2) the column totals are only posted to the general ledger once an accounting period; and (3) the journal's use separates responsibilities between employees.
- Cash receipts journal. (1) Its use aids in the posting process since the totals for Cash, Sales Discounts, Accounts Receivable, and Sales Revenue are all recorded in the general ledger only at the end of the month; and (2) it allows all accounts receivable credits to be posted to the appropriate subsidiary ledger accounts daily.
- Purchases journal. The advantages are similar to those of the sales journal except that items involved are Inventory debits and Accounts Payable credits.
- Cash payments journal. Similar advantages to cash receipts journal except the columns involved are different.

In general, special journals: (1) allow greater division of labor because various individuals can record entries in different journals at the same time; and (2) reduce posting time of journals.

8. The entry for the sales return should be recorded in the general journal. Since Kensington Company has a single-column sales journal, only credit sales can be recorded there. A purchase by Kensington Company has not taken place, so the use of the purchases journal is inappropriate. Finally, no cash is received or paid, so neither the cash receipts or cash payments journal should be used.
9. At the end of the month, after all postings to both the general ledger and the subsidiary accounts have been made, the total of the subsidiary account balances should equal the balance of the control account in the general ledger. In this case, the control account balance will be \$450 larger than the total of the subsidiary accounts.
10. The purpose of special journals is to facilitate the recording process of the business entity. Therefore, the columns included in any special journal should correspond to the unique needs of the entity. In particular, one type of business which might not require an Accounts Receivable column would be grocery stores. These businesses rarely sell on credit to their customers. The minimum frequency of the transaction implies no need for an Accounts Receivable column in the cash receipts journal.
11. (a) No, the customers' ledger will not agree with the Accounts Receivable control account. The customers' ledger will be posted correctly, but the Accounts Receivable control account will be incorrect.
(b) The trial balance will balance, although Cash will be \$4,000 too high and Accounts Receivable \$4,000 too low.
12. The special journal is the sales journal. The other account is Sales Revenue. (The cash receipts journal is an incorrect answer because there would be more than two month-end postings to general ledger accounts.)

Questions Chapter 7 (Continued)

13. (a) General journal. (d) Sales journal.
(b) General journal. (e) Cash receipts journal.
(c) Cash receipts journal. (f) General journal.
14. (a) Cash receipts journal. (d) Purchases journal.
(b) Cash receipts journal. (e) General journal.
(c) General journal. (f) Cash payments journal.
15. Typically included would be credit purchases of equipment, office supplies, and store supplies. However, any other item purchased on credit could also be included in a special column or the "other" column.
16. One such example is a purchase return. Here the Accounts Payable control and subsidiary account must be debited for the same amount. The debit/credit equality is unaffected since the balance sheet equation is computed using general ledger (control) accounts only. The subsidiary accounts should prove to the control account balance.
17. The general journal may be used to record such transactions as the granting of credit to a customer for a sales return or allowance, the receipt of credit from a supplier for purchases returned, acceptance of a note receivable from a customer, or the purchase of a plant asset by issuing a note payable. In addition, all correcting, adjusting, and closing entries should be made in the general journal.

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 7-1

1. True.
2. False.
3. True.

BRIEF EXERCISE 7-2

- | | |
|-------|-------|
| (a) 3 | (d) 2 |
| (b) 4 | (e) 1 |
| (c) 5 | |

BRIEF EXERCISE 7-3

1. True.
2. False. The benefits obtained from information provided by the accounting information system *must* outweigh the cost of providing that information.
3. True.
4. False. An accounting information system must be cost effective, provide useful output, *and be flexible enough to accommodate changing information needs.*

BRIEF EXERCISE 7-4

Accounts Receivable Subsidiary Ledger					General Ledger				
Austin Co.					Accounts Receivable				
Date	Ref.	Debit	Credit	Balance	Date	Ref.	Debit	Credit	Balance
Jan. 7		10,000		10,000	Jan. 31		27,000		27,000
17			7,000	3,000	31			20,000	7,000
Diaz Co.									
Date	Ref.	Debit	Credit	Balance					
Jan. 15		8,000		8,000					
24			4,000	4,000					
Noble Co.									
Date	Ref.	Debit	Credit	Balance					
Jan. 23		9,000		9,000					
29			9,000	0					

BRIEF EXERCISE 7-5

- | | |
|-----------------------|-----------------------|
| (a) General ledger | (c) General ledger |
| (b) Subsidiary ledger | (d) Subsidiary ledger |

BRIEF EXERCISE 7-6

- | | |
|---------------------------|---------------------------|
| (a) Cash Receipts Journal | (d) Sales Journal |
| (b) Cash Payments Journal | (e) Purchases Journal |
| (c) Cash Payments Journal | (f) Cash Receipts Journal |

BRIEF EXERCISE 7-7

- | | |
|---------|---------|
| (a) No | (c) Yes |
| (b) Yes | (d) No |

BRIEF EXERCISE 7-8

- (a) General Journal (if a one-column Purchases Journal)
Purchases Journal (if a multi-column Purchases Journal)
- (b) Purchases Journal
- (c) Cash Payments Journal
- (d) Sales Journal

BRIEF EXERCISE 7-9

- (a) Cash Receipts Journal
- (b) Cash Receipts Journal
- (c) Cash Receipts Journal
- (d) Sales Journal and Cash Receipts Journal
- (e) Purchases Journal

BRIEF EXERCISE 7-10

- | | |
|-----------------------------|----------------|
| (a) Both in total and daily | (c) In total |
| (b) In total | (d) Only daily |

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 7-1

Subsidiary balances:

Gorst Company	\$4,500	(\$11,000 – \$6,500)
Tian Company	\$—	(\$12,000 – \$12,000)
Maddox Company	\$2,300	(\$10,000 – \$7,700)

General ledger Accounts Payable balance: \$6,800 (\$4,500 + \$2,300)

DO IT! 7-2

1. Sold merchandise on account: Sales journal
2. Purchased merchandise on account: Purchases journal
3. Collected cash from a sale to Renfro Company: Cash receipts Journal
4. Recorded accrued interest on a note payable: General journal
5. Paid \$2,000 for supplies: Cash payments journal

SOLUTIONS TO EXERCISES

EXERCISE 7-1

- (a) **\$370,400. Beginning balance of \$340,000 plus \$161,400 debit from sales journal less \$131,000 credit from cash receipts journal.**
- (b) **\$95,900. Beginning balance of \$77,000 plus \$66,400 credit from purchases journal less \$47,500 debit from cash payments journal.**
- (c) **The column total of \$161,400 in the sales journal would be posted to the credit side of the Sales Revenue account and the debit side of the Accounts Receivable account in the general ledger.**
- (d) **The accounts receivable column total of \$131,000 in the cash receipts journal would be posted to the credit side of the Accounts Receivable account in the general ledger.**

EXERCISE 7-2

To: Sara Fogelman, Chief Financial Officer

From: Student

Subject: Jill Longley account

The explanation of the three entries in the subsidiary ledger for the Jill Longley account is as follows:

- Sept. 2 This was a credit sale of merchandise to Longley. The entry was recorded on page 31 of the Sales Journal.**
- Sept. 9 This was a sales return or allowance granted to Longley. The entry was recorded on page 4 of the General Journal.**
- Sept. 27 This was a payment by Longley of the balance due. The entry was recorded on page 8 of the Cash Receipts Journal.**

If I can be of further help, please let me know.

EXERCISE 7-3

(a) & (b)

General Ledger

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			10,960
		S	4,990		15,950
		CR		8,030	7,920
		G		220	7,700

Accounts Receivable Subsidiary Ledger

Fowler

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			2,060
		S	1,600		3,660
		CR		1,310	2,350

Sogard

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			4,820
		S	800		5,620
		CR		3,300	2,320
		G		220	2,100

Giambi

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1					0
		S	1,330		1,330
		CR		380	950

Andino

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			2,640
		CR		1,800	840

EXERCISE 7-3 (Continued)

Hurley

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1	Balance	✓			1,440
		S	1,260		2,700
		CR		1,240	1,460

(c) **MONTGOMERY COMPANY**
Schedule of Customers
As of September 30, 2014

Fowler	\$2,350
Sogard	2,100
Giambi	950
Andino	840
Hurley	<u>1,460</u>
Total	<u>\$7,700</u>
Accounts Receivable	<u>\$7,700</u>

EXERCISE 7-4

- (a) \$3,500 [\$10,000 – (\$4,000 + \$2,500)].
- (b) \$12,000 [\$10,000 + (\$9,000 + \$7,000 + \$8,500) – (\$8,000 + \$2,500 + \$9,000) – \$3,000].
- (c)
- | | | |
|---------|---|-----------------|
| Bixler | (\$4,000 + \$9,000 – \$8,000) | \$ 5,000 |
| Cuddyer | (\$2,500 + \$7,000 – \$2,500 – \$3,000) | 4,000 |
| Freeze | (\$3,500 + \$8,500 – \$9,000) | <u>3,000</u> |
| | | <u>\$12,000</u> |
- (d) The sales return (\$3,000) would be recorded in the general journal instead of special journal.

EXERCISE 7-5

- (a) \$4,375 [\$9,250 – (\$3,000 + \$1,875)].
- (b) \$10,750 [\$9,250 + (\$6,750 + \$5,250 + \$6,375) – (\$6,000 + \$1,875 + \$6,750) – \$2,250].
- (c)
- | | | |
|--------|---|-----------------|
| Hale | (\$3,000 + \$6,750 – \$6,000) | \$3,750 |
| Janish | (\$1,875 + \$5,250 – \$1,875 – \$2,250) | 3,000 |
| Valdez | (\$4,375 + \$6,375 – \$6,750) | <u>4,000</u> |
| | | <u>\$10,750</u> |
- (d) The purchase return (\$2,250) would be recorded in the general journal instead of special journal.

EXERCISE 7-6**(a) & (b)****GOMES COMPANY
Sales Journal****S1**

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014					
Sept. 2	H. Drew	101		620	420
21	G. Holliday	102		800	480
				<u>1,420</u>	<u>900</u>

**GOMES COMPANY
Purchases Journal****P1**

Date	Account Credited	Terms	Ref.	Inventory Dr. Accounts Payable Cr.
2014				
Sept. 10	A. Pagan	2/10, n/30		650
25	D. Downs	n/30		860
				<u>1,510</u>

EXERCISE 7-7**(a) & (b)****R. SANTIAGO CO.
Cash Receipts Journal****CR1**

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
2014								
May 1	Owner's Cap.		40,000				40,000	
2			6,300			6,300		4,200
22	M. Mangini		9,000		9,000			
			<u>55,300</u>		<u>9,000</u>	<u>6,300</u>	<u>40,000</u>	<u>4,200</u>

EXERCISE 7-7 (Continued)

R. SANTIAGO CO.						CP1
Cash Payments Journal						
Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr. Cash Cr.
2014						
May 3	101	Inventory		7,700		7,700
14	102	Salaries and Wages Expense		700		700
				<u>8,400</u>		<u>8,400</u>

EXERCISE 7-8

(a) Journal	(b) Columns in the journal
1. Cash Payments	Cash (Cr.), Other Accounts (Dr.).
2. Cash Receipts	Cash (Dr.), Sales Discounts (Dr.), and Accounts Receivable (Cr.).
3. Cash Payments	Cash (Cr.), Other Accounts (Dr.).
4. Cash Payments	Cash (Cr.), Inventory (Cr.), and Accounts Payable (Dr.).
5. Cash Receipts	Cash (Dr.), Accounts Receivable (Cr.).
6. Cash Payments	Cash (Cr.), Other Accounts (Dr.).
7. Cash Payments	Cash (Cr.), Other Accounts (Dr.).
8. Cash Receipts	Cash (Dr.), Other Accounts (Cr.).
9. Cash Payments	Cash (Cr.), Other Accounts (Dr.).
10. Cash Receipts	Cash (Dr.), Sales Revenue (Cr.), Cost of Goods Sold (Dr.), and Inventory (Cr.).

EXERCISE 7-9

(a)	Mar. 2	Equipment.....	7,400	
		Accounts Payable—Bole Company		7,400
	5	Accounts Payable—Carwell Company	410	
		Inventory.....		410
	7	Sales Returns and Allowances.....	400	
		Accounts Receivable—Dempsey Company		400
		Inventory	260	
		Cost of Goods Sold		260

(b) To: President Hasselback

From: Chief Accountant

Subject: Posting of Control and Subsidiary Accounts

The posting of these accounts varies with the journals used in recording the transactions.

Sales and purchases journals—the total for the month is posted to the control accounts. The individual entries are posted daily to the subsidiary accounts.

Columnar cash receipts and cash payments journals—the total of the control account column for the month is posted to the control account. The individual amounts in the column are posted daily to the subsidiary accounts.

General journal—the individual entries are posted daily. Each entry that pertains to a control and a subsidiary account is dual posted. That is, it is posted to both the control account and the subsidiary account.

I hope this memo answers your questions about posting.

EXERCISE 7-10

- | | |
|--------------------------|---------------------------|
| 1. Cash Payments Journal | 8. Cash Receipts Journal |
| 2. General Journal | 9. Cash Payments Journal |
| 3. Cash Receipts Journal | 10. General Journal |
| 4. Cash Receipts Journal | 11. General Journal |
| 5. Sales Journal | 12. Cash Payments Journal |
| 6. Cash Receipts Journal | 13. Purchases Journal |
| 7. General Journal | |

EXERCISE 7-11

- (a) The debit posting reference on February 28 should be from the cash payments journal to record the payments made during the month. The general ledger debit amount should be \$28,340 to balance. The ending balance must be \$3,600. (Accounts Payable control balance of \$10,500 less Benton, \$4,600, and Dooley, \$2,300.)
- (b) Only the general journal amounts were dual posted. Thus, the amounts were \$1,400 (Dr.), \$265 (Cr.), and \$550 (Cr.).

EXERCISE 7-12

(a)

Purchases Journal				P1
Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.	
July 3	Marsh Co.	✓	2,400	
12	Yates Co.	✓	500	
14	Weller Co.	✓	1,100	
17	Lange Corp.	✓	1,400	
20	Marsh Co.	✓	1,700	
21	Yates Co.	✓	600	
29	Lange Corp.	✓	1,600	
			<u>9,300</u>	
			120/201	

EXERCISE 7-12 (Continued)

(b)

General Journal				
Date	Accounts and Explanations	Ref.	Debit	Credit
July 1	Equipment	157	3,900	
	Accounts Payable— Flaherty Equipment Co.	201/✓		3,900
15	Inventory.....	120	400	
	Accounts Payable— Bernardo Inc.	201/✓		400
	(This entry should have been recorded in the Purchases Journal.)			
18	Accounts Payable—Lange Corp.	201/✓	100	
	Inventory.....	120		100
25	Accounts Payable—Weller Co.	201/✓	200	
	Inventory.....	120		200

EXERCISE 7-13

\$975 (\$200 + \$290 + \$145 + \$190 + \$150). All of the debit postings to the subsidiary ledger accounts should be from sales invoices. The total of all these debits should therefore be the total credit sales for the month, which would be the same amount as the end-of-month debit to Accounts Receivable.

EXERCISE 7-14

- (a) $\$14,000 + \$77,000 - \$46,000 = \underline{\underline{\$45,000}}$
- (b) $\$22,000 + \$110,000 - \$45,000 = \underline{\underline{\$87,000}}$
- (c) $\$17,000 + \$61,000 - \$55,000 = \underline{\underline{\$23,000}}$
- (d) $\$13,500 + \$77,000 - \$1,000 - \$63,600 = \underline{\underline{\$25,900}}$
- (e) $\$110,000 + \$6,000 = \underline{\underline{\$116,000}}$

SOLUTIONS TO PROBLEMS

PROBLEM 7-1A

(a)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
Apr. 1	Owner's Capital	301	7,200				7,200	
4	Dent	✓	2,156	44	2,200			
5	Jennings Co.	✓	920		920			
8			7,245			7,245		4,347
10	Morrow	✓	600		600			
11	Inventory	120	740				740	
23	Jennings Co.	✓	1,000		1,000			
29	Rose	✓	1,200		1,200			
			<u>21,061</u>	<u>44</u>	<u>5,920</u>	<u>7,245</u>	<u>7,940</u>	<u>4,347</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

(b)

General Ledger

Accounts Receivable

No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			7,850
30		CR1		5,920	1,930

Accounts Receivable Subsidiary Ledger

Morrow

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			1,550
10		CR1		600	950

PROBLEM 7-1A (Continued)

Rose

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			1,200
29		CR1		1,200	0

Jennings Co.

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,900
5		CR1		920	1,980
23		CR1		1,000	980

Dent

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,200
4		CR1		2,200	0

(c) Accounts receivable balance: **\$1,930**

Subsidiary account balances:

Morrow	\$ 950
Jennings Co.	<u>980</u>
Total	<u>\$1,930</u>

PROBLEM 7-2A

(a)

Cash Payments Journal							CP1
Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Oct. 1	63	Inventory	120	300			300
3	64	Equipment	157	800			800
5	65	Uggla Company	✓		2,700	54	2,646
10	66	Inventory	120	2,550			2,550
15	67	Rosenthal Co.	✓		1,800		1,800
16	68	Owner's Drawings	306	400			400
19	69	Orr Co.	✓		2,000	40	1,960
29	70	Clevenger Company	✓		2,500		2,500
				<u>4,050</u>	<u>9,000</u>	<u>94</u>	<u>12,956</u>
				(X)	(201)	(120)	(101)

(b)

General Ledger

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			10,700
31		CP1	9,000		1,700

Accounts Payable Subsidiary Ledger

Uggla Company

Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			2,700
5		CP1	2,700		0

PROBLEM 7-2A (Continued)**Orr Co.**

Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			2,500
19		CP1	2,000		500

Rosenthal Co.

Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			1,800
15		CP1	1,800		0

Clevenger Company

Date	Explanation	Ref.	Debit	Credit	Balance
Oct. 1	Balance	✓			3,700
29		CP1	2,500		1,200

(c) Accounts payable balance: **\$1,700**

Subsidiary account balances:

Orr Co.	\$ 500
Clevenger Company	<u>1,200</u>
	<u>\$1,700</u>

PROBLEM 7-3A

(a)

Purchases Journal

P1

Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Inventory Dr.	Other Accounts Dr.
July 1	Eby Company	✓	8,000	8,000	
2	Shaw Shipping	✓	400	400	
5	Getz Company	✓	3,200	3,200	
13	Dayne Supply (Supplies)	126/✓	720		720
15	Eby Company	✓	3,600	3,600	
15	Bosco Company	✓	4,300	4,300	
18	Welton Advertisements (Advertising Expense)	610/✓	600		600
24	Getz Company	✓	3,000	3,000	
26	Dayne Supply (Equipment)	157/✓	900		900
28	Shaw Shipping	✓	380	380	
			<u>25,100</u>	<u>22,880</u>	<u>2,220</u>
			(201)	(120)	(X)

Sales Journal

S1

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
July 3	Fort Company	✓	1,300	910
3	Hefner Bros.	✓	1,500	1,050
16	Aybar Company	✓	3,450	2,415
16	Hefner Bros.	✓	1,870	1,309
21	Fort Company	✓	310	217
21	Duncan Company	✓	2,800	1,960
30	Aybar Company	✓	5,600	3,920
			<u>16,830</u>	<u>11,781</u>
			(112)(401)	(505)(120)

PROBLEM 7-3A (Continued)

General Journal				G1
Date	Accounts and Explanations	Ref.	Debit	Credit
July 8	Accounts Payable—Getz Company	201/✓	300	
	Inventory.....	120		300
22	Sales Returns and Allowances Accounts Receivable—Fort Company.....	412 112/✓	40	40

(b) General Ledger					
Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	16,830		16,830
22		G1		40	16,790

Inventory					No. 120
Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1	22,880		22,880
8		G1		300	22,580
31		S1		11,781	10,799

Supplies					No. 126
Date	Explanation	Ref.	Debit	Credit	Balance
July 13		P1	720		720

PROBLEM 7-3A (Continued)**Equipment** **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
July 26		P1	900		900

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1		25,100	25,100
8		G1	300		24,800

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1		16,830	16,830

Sales Returns and Allowances **No. 412**

Date	Explanation	Ref.	Debit	Credit	Balance
July 22		G1	40		40

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	11,781		11,781

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
July 18		P1	600		600

PROBLEM 7-3A (Continued)**Accounts Receivable Subsidiary Ledger****Hefner Bros.**

Date	Explanation	Ref.	Debit	Credit	Balance
July 3		S1	1,500		1,500
16		S1	1,870		3,370

Fort Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 3		S1	1,300		1,300
21		S1	310		1,610
22		G1		40	1,570

Aybar Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 16		S1	3,450		3,450
30		S1	5,600		9,050

Duncan Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 21		S1	2,800		2,800

Accounts Payable Subsidiary Ledger**Dayne Supply**

Date	Explanation	Ref.	Debit	Credit	Balance
July 13		P1		720	720
26		P1		900	1,620

PROBLEM 7-3A (Continued)

Shaw Shipping

Date	Explanation	Ref.	Debit	Credit	Balance
July 2		P1		400	400
28		P1		380	780

Eby Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		P1		8,000	8,000
15		P1		3,600	11,600

Getz Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 5		P1		3,200	3,200
8		G1	300		2,900
24		P1		3,000	5,900

Welton Advertisements

Date	Explanation	Ref.	Debit	Credit	Balance
July 18		P1		600	600

Bosco Company

Date	Explanation	Ref.	Debit	Credit	Balance
July 15		P1		4,300	4,300

PROBLEM 7-3A (Continued)

(c) **Accounts receivable balance..... \$16,790**

Subsidiary account balances

Hefner Bros.	\$3,370	
Fort Company.....	1,570	
Aybar Company.....	9,050	
Duncan Company.....	<u>2,800</u>	
Total.....		<u>\$16,790</u>

Accounts payable balance..... \$24,800

Subsidiary account balances

Dayne Supply	\$ 1,620	
Shaw Shipping	780	
Eby Company	11,600	
Getz Company.....	5,900	
Welton Advertisements	600	
Bosco Company.....	<u>4,300</u>	
Total.....		<u>\$24,800</u>

PROBLEM 7-4A

(a), (b) & (c)

Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
Jan. 4	Wheeler	371	✓	5,250	3,150
9	Linton Corp.	372	✓	5,400	3,240
17	Delaney Co.	373	✓	1,200	720
31	Wheeler	374	✓	9,330	5,598
				<u>21,180</u>	<u>12,708</u>
				(112)(401)	(505)(120)

Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Jan. 3	Gallagher Co.	✓	9,000
8	Phegley Co.	✓	4,500
11	Cora Co.	✓	3,700
23	Gallagher Co.	✓	7,800
24	Atchison Corp.	✓	5,100
			<u>30,100</u>
			(120)(201)

General Journal

G1

Date	Accounts and Explanations	Ref.	Debit	Credit
Jan. 5	Accounts Payable—Gallagher Co.	201/✓	300	
	Inventory	120		300
19	Equipment.....	157	5,500	
	Accounts Payable—Dozier Corp.	201/✓		5,500

PROBLEM 7-4A (Continued)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold
								Dr. Inventory Cr.
Jan. 6			3,150			3,150		1,890
13			6,260			6,260		3,756
15	Linton Corp.	✓	5,346	54	5,400			
17	Wheeler	✓	5,250		5,250			
20			3,200			3,200		1,920
27			4,230			4,230		2,538
30	Delaney Co.	✓	1,200		1,200			
			<u>28,636</u>	<u>54</u>	<u>11,850</u>	<u>16,840</u>	<u>0</u>	<u>10,104</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
						Cr.
Jan. 4	Supplies	126	80			80
13	Gallagher Co.	✓		8,700	174	8,526
15	Salaries and Wages Expense	726	14,300			14,300
20	Phegley Co.	✓		4,500	90	4,410
31	Salaries and Wages Expense	726	13,200			13,200
			<u>27,580</u>	<u>13,200</u>	<u>264</u>	<u>40,516</u>
			(X)	(201)	(120)	(101)

PROBLEM 7-5A

(a), (d) & (g)

General Ledger

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		CR1	104,025		104,025
31		CP1		39,066	64,959

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	20,700		20,700
31		CR1		15,700	5,000

Inventory **No. 120**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1	44,020		44,020
29		CR1		420	43,600
31		CP1		234	43,366
31		S1		13,455	29,911
31		CR1		5,200	24,711

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
July 4		CP1	600		600
31	Adjusting entry	G1		460	140

Prepaid Rent **No. 131**

Date	Explanation	Ref.	Debit	Credit	Balance
July 11		CP1	6,000		6,000
31	Adjusting entry	G1		500	5,500

PROBLEM 7-5A (Continued)**Accounts Payable****No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		P1		44,020	44,020
31		CP1	30,200		13,820

Owner's Capital**No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
July 1		CR1		80,000	80,000

Owner's Drawings**No. 306**

Date	Explanation	Ref.	Debit	Credit	Balance
July 19		CP1	2,500		2,500

Sales Revenue**No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1		20,700	20,700
31		CR1		8,000	28,700

Sales Discounts**No. 414**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		CR1	95		95

Cost of Goods Sold**No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
July 31		S1	13,455		13,455
31		CR1	5,200		18,655

PROBLEM 7-5A (Continued)

Supplies Expense No. 631

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting entry	G1	460		460

Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
July 31	Adjusting entry	G1	500		500

(b)

Sales Journal S1

Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
July 6	Dow Co.	✓	6,200	4,030
8	S. Goebel	✓	4,600	2,990
10	W. Leiss	✓	4,900	3,185
21	H. Kenney	✓	5,000	3,250
			<u>20,700</u>	<u>13,455</u>
			(112)(401)	(505)(120)

Cash Receipts Journal CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
July 1	Owner's Capital	301	80,000				80,000	
7			8,000			8,000		5,200
13	S. Goebel	✓	4,554	46	4,600			
16	W. Leiss	✓	4,851	49	4,900			
20	Dow Co.	✓	6,200		6,200			
29	Inventory	120	420				420	
			<u>104,025</u>	<u>95</u>	<u>15,700</u>	<u>8,000</u>	<u>80,420</u>	<u>5,200</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

PROBLEM 7-5A (Continued)**(c) Accounts Receivable Subsidiary Ledger****Dow Co.**

Date	Explanation	Ref.	Debit	Credit	Balance
July 6		S1	6,200		6,200
20		CR1		6,200	0

H. Kenney

Date	Explanation	Ref.	Debit	Credit	Balance
July 21		S1	5,000		5,000

W. Leiss

Date	Explanation	Ref.	Debit	Credit	Balance
July 10		S1	4,900		4,900
16		CR1		4,900	0

S. Goebel

Date	Explanation	Ref.	Debit	Credit	Balance
July 8		S1	4,600		4,600
13		CR1		4,600	0

Accounts Payable Subsidiary Ledger**C. Werly**

Date	Explanation	Ref.	Debit	Credit	Balance
July 13		P1		15,300	15,300
21		CP1	15,300		0

F. Rees

Date	Explanation	Ref.	Debit	Credit	Balance
July 5		P1		8,100	8,100
10		CP1	8,100		0

PROBLEM 7-5A (Continued)

M. Mangus

Date	Explanation	Ref.	Debit	Credit	Balance
July 20		P1		7,900	7,900

N. Alvarado

Date	Explanation	Ref.	Debit	Credit	Balance
July 4		P1		6,800	6,800
15		CP1	6,800		0

J. Gallup

Date	Explanation	Ref.	Debit	Credit	Balance
July 11		P1		5,920	5,920

(e) **FORNELLI CO.**
Trial Balance
July 31, 2014

	Debit	Credit
Cash.....	\$ 64,959	
Accounts Receivable.....	5,000	
Inventory	24,711	
Supplies	600	
Prepaid Rent	6,000	
Accounts Payable.....		\$ 13,820
Owner's Capital		80,000
Owner's Drawings	2,500	
Sales Revenue		28,700
Sales Discounts	95	
Cost of Goods Sold	18,655	
	<u>\$122,520</u>	<u>\$122,520</u>

PROBLEM 7-5A (Continued)

(f)	Accounts receivable balance.....	<u>\$ 5,000</u>
	Subsidiary accounts balance	
	H. Kenney	<u>\$ 5,000</u>
	Accounts payable balance.....	<u>\$13,820</u>
	Subsidiary accounts balance	
	M. Mangus	\$ 7,900
	J. Gallup.....	<u>5,920</u>
		<u>\$13,820</u>

(g)

General Journal				G1
Date	Accounts and Explanations	Ref.	Debit	Credit
July 31	Supplies Expense	631	460	
	Supplies	126		460
31	Rent Expense	729	500	
	Prepaid Rent.....	131		500

PROBLEM 7-5A (Continued)

(h)

**FORNELLI CO.
Adjusted Trial Balance
July 31, 2014**

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 64,959	
Accounts Receivable	5,000	
Inventory	24,711	
Supplies	140	
Prepaid Rent	5,500	
Accounts Payable		\$ 13,820
Owner's Capital		80,000
Owner's Drawings	2,500	
Sales Revenue		28,700
Sales Discounts	95	
Cost of Goods Sold	18,655	
Supplies Expense	460	
Rent Expense	500	
	<u>\$122,520</u>	<u>\$122,520</u>

PROBLEM 7-6A

(b) & (c)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold
								Dr. Inventory Cr.
Jan. 7	T. Hodges	✓	3,500		3,500			
13	M. Ziesmer	✓	7,840	160	8,000			
23			9,100			9,100		5,460
29	Notes Receivable	115	<u>40,000</u>				<u>40,000</u>	
			<u>60,440</u>	<u>160</u>	<u>11,500</u>	<u>9,100</u>	<u>40,000</u>	<u>5,460</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash
						Cr.
Jan. 11	Inventory	120	300			300
12	Rent Expense	729	1,000			1,000
15	K. Thayer	✓		13,000	130	12,870
18	Salaries and Wages Expense	726	4,800			4,800
27	E. Pheatt	✓1		<u>950</u>		<u>950</u>
			<u>6,100</u>	<u>13,950</u>	<u>130</u>	<u>19,920</u>
			(X)	(201)	(120)	(101)

Sales Journal

S1

Date	Account Debited	Ref.	Accounts Receivable Dr.	Cost of Goods Sold Dr.
			Sales Revenue Cr.	Inventory Cr.
Jan. 3	M. Ziesmer	✓	8,000	4,800
24	I. Kirk	✓	<u>7,400</u>	<u>4,440</u>
			<u>15,400</u>	<u>9,240</u>
			(112)(401)	(505)(120)

PROBLEM 7-6A (Continued)
Purchases Journal
P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Jan. 5	E. Pheatt	✓	2,000
17	G. Roland	✓	<u>1,600</u>
			<u>3,600</u>
			(120)(201)

General Journal
G1

Date	Accounts and Explanations	Ref.	Debit	Credit
Jan. 14	Sales Returns and Allowances	412	300	
	Accounts Receivable—			
	B. Hannigan	✓/112		300
	Inventory.....	120	180	
	(\$300 X .60)			
	Cost of Goods Sold.....	505		180
20	Accounts Payable—D. Danford.....	✓/201	18,000	
	Notes Payable.....	200		18,000
30	Accounts Payable—G. Roland	✓/201	300	
	Inventory.....	120		300

(a) & (c)
General Ledger

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			41,500
31		CR1	60,440		101,940
31		CP1		19,920	82,020

PROBLEM 7-6A (Continued)**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			15,000
14		G1		300	14,700
31		CR1		11,500	3,200
31		S1	15,400		18,600

Notes Receivable **No. 115**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			45,000
29		CR1		40,000	5,000

Inventory **No. 120**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			23,000
11		CP1	300		23,300
14		G1	180		23,480
30		G1		300	23,180
31		P1	3,600		26,780
31		CP1		130	26,650
31		CR1		5,460	21,190
31		S1		9,240	11,950

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			6,450

Accumulated Depreciation—Equipment **No. 158**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500

PROBLEM 7-6A (Continued)**Notes Payable** **No. 200**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 20		G1		18,000	18,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			43,000
20		G1	18,000		25,000
30		G1	300		24,700
31		P1		3,600	28,300
31		CP1	13,950		14,350

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			86,450

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1		9,100	9,100
31		S1		15,400	24,500

Sales Returns and Allowances **No. 412**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 14		G1	300		300

Sales Discounts **No. 414**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1	160		160

PROBLEM 7-6A (Continued)**Cost of Goods Sold****No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1	5,460		5,460
31		S1	9,240		14,700
14		G1		180	14,520

Salaries and Wages Expense**No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 18		CP1	4,800		4,800

Rent Expense**No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 12		CP1	1,000		1,000

Accounts Receivable Subsidiary Ledger**B. Hannigan**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			2,500
14		G1		300	2,200

I. Kirk

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			7,500
24		S1	7,400		14,900

PROBLEM 7-6A (Continued)**T. Hodges**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			5,000
7		CR1		3,500	1,500

M. Ziesmer

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	8,000		8,000
13		CR1		8,000	0

Accounts Payable Subsidiary Ledger**G. Roland**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 17		P1		1,600	1,600
30		G1	300		1,300

T. Igawa

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			12,000

D. Danford

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			18,000
20		G1	18,000		0

K. Thayer

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			13,000
15		CP1	13,000		0

PROBLEM 7-6A (Continued)

E. Pheatt

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		2,000	2,000
27		CP1	950		1,050

(d)

HORNER CO. Trial Balance January 31, 2015

	Debit	Credit
Cash	\$ 82,020	
Accounts Receivable	18,600	
Notes Receivable.....	5,000	
Inventory	11,950	
Equipment.....	6,450	
Accumulated Depreciation—Equipment.....		\$ 1,500
Notes Payable		18,000
Accounts Payable.....		14,350
Owner's Capital		86,450
Sales Revenue		24,500
Sales Returns and Allowances.....	300	
Sales Discounts.....	160	
Cost of Goods Sold	14,520	
Salaries and Wages Expense	4,800	
Rent Expense.....	1,000	
	<u>\$144,800</u>	<u>\$144,800</u>

(e) Accounts Receivable Subsidiary Ledger

B. Hanningan	\$ 2,200
I. Kirk.....	14,900
T. Hodges.....	1,500
.....	<u>\$18,600</u>

Accounts Receivable Control	<u>\$18,600</u>
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PROBLEM 7-6A (Continued)

Accounts Payable Subsidiary Ledger

G. Roland	\$ 1,300
T. Igawa	12,000
E. Pheatt.....	<u>1,050</u>
	<u><u>\$14,350</u></u>

Accounts Payable Control	<u><u>\$14,350</u></u>
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PROBLEM 7-1B

(a)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales Discounts Dr.	Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold Dr. Inventory Cr.
June 1	Owner's Capital	301	15,000				15,000	
3	Hinshaw Co.	✓	1,960	40	2,000			
6	Guthrie Co.	✓	2,744	56	2,800			
7			8,700			8,700		5,000
9	Suppan & Son	✓	2,940	60	3,000			
11	Inventory	120	450				450	
15			6,500			6,500		4,000
20	Quentin Bros.	✓	2,400		2,400			
			<u>40,694</u>	<u>156</u>	<u>10,200</u>	<u>15,200</u>	<u>15,450</u>	<u>9,000</u>
			(101)	(414)	(112)	(401)	(X)	(505/120)

(b)

General Ledger

Accounts Receivable

No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			10,200
30		CR1		10,200	0

Accounts Receivable Subsidiary Ledger

Suppan & Son

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			3,000
9		CR1		3,000	0

PROBLEM 7-1B (Continued)

Guthrie Co.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,800
6		CR1		2,800	0

Quentin Bros.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,400
20		CR1		2,400	0

Hinshaw Co.

Date	Explanation	Ref.	Debit	Credit	Balance
June 1	Balance	✓			2,000
3		CR1		2,000	0

- (c) Accounts receivable balance = 0.
Sum of all subsidiary accounts = 0.

PROBLEM 7-2B

(a)

Cash Payments Journal							CP1
Date	Ck. No.	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Nov. 1	11	Inventory	120	950			950
3	12	Equipment	157	1,400			1,400
5	13	W. Olivo	✓		1,800	18	1,782
11	14	Inventory	120	1,700			1,700
15	15	R. Trumbo	✓		800	24	776
16	16	Owner's Drawings	306	400			400
19	17	D. Montero	✓		2,100	42	2,058
25	18	Prepaid Insurance	130	2,400			2,400
30	19	S. Gentry	✓		2,700		2,700
				<u>6,850</u>	<u>7,400</u>	<u>84</u>	<u>14,166</u>
				(X)	(201)	(120)	(101)

(b)

General Ledger

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			8,700
30		CP1	7,400		1,300

Accounts Payable Subsidiary Ledger

S. Gentry

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			4,000
30		CP1	2,700		1,300

PROBLEM 7-2B (Continued)

D. Montero

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			2,100
19		CP1	2,100		0

R. Trumbo

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			800
15		CP1	800		0

W. Olivo

Date	Explanation	Ref.	Debit	Credit	Balance
Nov. 1	Balance	✓			1,800
5		CP1	1,800		0

(c) Accounts payable balance: \$1,300

Subsidiary account balances:

S. Gentry \$1,300
\$1,300

PROBLEM 7-3B

(a)

Purchases Journal					P1
Date	Account Credited (Debited)	Ref.	Accounts Payable Cr.	Inventory Dr.	Other Accounts Dr.
May 2	Berkman Company	✓	5,000	5,000	
3	Fast Freight	✓	250	250	
8	Kayser Company	✓	5,400	5,400	
8	Neufeld Company	✓	3,000	3,000	
15	Rabel's Supplies (Supplies)	126/✓	600		600
16	Berkman Company	✓	3,100	3,100	
16	Kayser Company	✓	4,200	4,200	
18	Fast Freight	✓	325	325	
25	Mock Advertising (Adv. Exp.)	610/✓	620		620
28	Rabel's Supplies (Equipment)	157/✓	400		400
			<u>22,895</u>	<u>21,275</u>	<u>1,620</u>
			(201)	(120)	(X)

Sales Journal					S1
Date	Account Debited	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.	
May 5	Persinger Co.	✓	1,300	780	
5	Fehr Bros.	✓	2,300	1,380	
5	Mount Company	✓	1,000	600	
23	Fehr Bros.	✓	1,600	960	
23	Mount Company	✓	2,500	1,500	
			<u>8,700</u>	<u>5,220</u>	
			(112)(401)	(505)(120)	

PROBLEM 7-3B (Continued)

General Journal

Date	Accounts and Explanations	Ref.	Debit	Credit
May 10	Accounts Payable—Neufeld Company.....	201/✓	350	
	Inventory.....	120		350
17	Accounts Payable—Rabel's Supplies	201/✓	70	
	Supplies.....	126		70
20	Accounts Payable—Berkman Company.....	201/✓	200	
	Inventory.....	120		200
26	Sales Returns and Allowances	412	140	
	Accounts Receivable—Mount Company	112/✓		140

(b) General Ledger

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1	8,700		8,700
26		G1		140	8,560

Inventory No. 120

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		P1	21,275		21,275
10		G1		350	20,925
20		G1		200	20,725
31		S1		5,220	15,505

PROBLEM 7-3B (Continued)**Supplies** **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
May 15		P1	600		600
17		G1		70	530

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
May 28		P1	400		400

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		P1		22,895	22,895
10		G1	350		22,545
17		G1	70		22,475
20		G1	200		22,275

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1		8,700	8,700

Sales Returns and Allowances **No. 412**

Date	Explanation	Ref.	Debit	Credit	Balance
May 26		G1	140		140

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		S1	5,220		5,220

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
May 25		P1	620		620

PROBLEM 7-3B (Continued)**Accounts Receivable Subsidiary Ledger****Persinger Company**

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	1,300		1,300

Fehr Bros.

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	2,300		2,300
23		S1	1,600		3,900

Mount Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		S1	1,000		1,000
23		S1	2,500		3,500
26		G1		140	3,360

Accounts Payable Subsidiary Ledger**Fast Freight**

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		P1		250	250
18		P1		325	575

Berkman Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 2		P1		5,000	5,000
16		P1		3,100	8,100
20		G1	200		7,900

PROBLEM 7-3B (Continued)

Rabel's Supplies

Date	Explanation	Ref.	Debit	Credit	Balance
May 15		P1		600	600
17		G1	70		530
28		P1		400	930

Kayser Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		5,400	5,400
16		P1		4,200	9,600

Neufeld Company

Date	Explanation	Ref.	Debit	Credit	Balance
May 8		P1		3,000	3,000
10		G1	350		2,650

Mock Advertising

Date	Explanation	Ref.	Debit	Credit	Balance
May 25		P1		620	620

PROBLEM 7-3B (Continued)

(c) Accounts receivable balance \$ 8,560

Subsidiary account balances

Persinger Company	\$1,300	
Fehr Bros.	3,900	
Mount Company	<u>3,360</u>	
Total		<u>\$ 8,560</u>

Accounts payable balance \$22,275

Subsidiary account balances

Fast Freight.....	\$ 575	
Berkman Company.....	7,900	
Rabel's Supplies.....	930	
Kayser Company	9,600	
Neufeld Company.....	2,650	
Mock Advertising.....	<u>620</u>	
Total		<u>\$22,275</u>

PROBLEM 7-4B

(a), (b) & (c)

Sales Journal

S1

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.
Oct. 4	Doumit Co.	204	✓	5,600	3,640
17	JR's Warehouse	205	✓	4,900	3,185
25	Fryer Corp.	206	✓	3,800	2,470
30	JR's Warehouse	207	✓	3,400	2,210
				<u>17,700</u>	<u>11,505</u>
				(112)(401)	(505)(120)

Purchases Journal

P1

Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Oct. 2	Kent Company	✓	15,000
10	Wrigley Corp.	✓	2,600
27	Marte Co.	✓	6,200
30	Kent Company	✓	10,000
			<u>33,800</u>
			(120)(201)

General Journal

G1

Date	Accounts and Explanations	Ref.	Debit	Credit
Oct. 13	Accounts Payable—Wrigley Corp.	201/✓	150	
	Inventory.....	120		150
25	Supplies.....	126	190	
	Accounts Payable—Francisco Co.	201/✓		190

PROBLEM 7-4B (Continued)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.						Cost of Goods Sold
			Cash	Sales	Accounts	Sales	Other	Dr.
			Dr.	Dr.	Receivable	Revenue	Accounts	Inventory
					Cr.	Cr.	Cr.	Cr.
Oct. 7			6,700			6,700		4,355
12	Doumit Co.	✓	5,488	112	5,600			
14			6,000			6,000		3,900
16	Land	140	20,000				20,000	
21			6,000			6,000		3,900
25	JR's Warehouse.	✓	4,802	98	4,900			
28			5,500			5,500		3,575
			<u>54,490</u>	<u>210</u>	<u>10,500</u>	<u>24,200</u>	<u>20,000</u>	<u>15,730</u>
			(101)	(414)	(112)	(401)	(X)	(505)(120)

Cash Payments Journal

CP1

Date	Account Debited	Ref.					Cash
			Other	Accounts	Inventory		
			Accounts	Payable	Cr.		Cr.
			Dr.	Dr.			
Oct. 5	Supplies	126	60				60
9	Kent Co.	✓		15,000	300		14,700
18	Inventory	120	1,600				1,600
23	Wrigley Corp.	✓		2,450			2,450
26	Land	140	16,000				
	Buildings	145	10,000				26,000
30	Advertising Expense	610	290				290
			<u>27,950</u>	<u>17,450</u>	<u>300</u>		<u>45,100</u>
			(X)	(201)	(120)		(101)

PROBLEM 7-5B

(b)

Purchases Journal			P1
Date	Account Credited	Ref.	Inventory Dr. Accounts Payable Cr.
Feb. 2	B. Setterstrom	✓	5,600
7	A. Dambro	✓	23,000
16	D. Budke	✓	1,900
21	Eberle Company	✓	8,000
			<u>38,500</u>
			(120)(201)

Cash Payments Journal						CP1
Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Inventory Cr.	Cash Cr.
Feb. 9	Supplies	126	980			980
12	B. Setterstrom	✓		5,600	112	5,488
15	Equipment	157	4,500			4,500
17	A. Dambro	✓		23,000	230	22,770
20	Owner's Drawings	306	800			800
28	D. Budke	✓		1,900		1,900
			<u>6,280</u>	<u>30,500</u>	<u>342</u>	<u>36,438</u>
			(X)	(201)	(120)	(101)

(a), (d) & (g)

General Ledger					No. 101
Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		CR1	36,580		36,580
28		CP1		36,438	142

PROBLEM 7-5B (Continued)**Accounts Receivable** **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1	21,000		21,000
28		CR1		9,000	12,000

Inventory **No. 120**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		P1	38,500		38,500
18		CR1		120	38,380
28		CP1		342	38,038
28		S1		12,600	25,438
28		CR1		2,700	22,738

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 9		CP1	980		980
28	Adjusting entry	G1		780	200

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 15		CP1	4,500		4,500

Accumulated Depreciation—Equipment **No. 158**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1		150	150

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		P1		38,500	38,500
28		CP1	30,500		8,000

PROBLEM 7-5B (Continued)**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 1		CR1		23,000	23,000

Owner's Drawings **No. 306**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 20		CP1	800		800

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1		21,000	21,000
28		CR1		4,500	25,500

Sales Discounts **No. 414**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		CR1	40		40

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28		S1	12,600		12,600
28		CR1	2,700		15,300

Supplies Expense **No. 631**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1	780		780

Depreciation Expense **No. 711**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 28	Adjusting entry	G1	150		150

PROBLEM 7-5B (Continued)**(c) Accounts Receivable Subsidiary Ledger****C. Ogleby**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 3		S1	4,000		4,000
13		CR1		4,000	0

T. Ghosh

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 12		S1	6,500		6,500

S. Hauke

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 9		S1	5,000		5,000
26		CR1		5,000	0

W. Hoy

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 26		S1	5,500		5,500

Accounts Payable Subsidiary Ledger**Eberle Company**

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 21		P1		8,000	8,000

B. Setterstrom

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 2		P1		5,600	5,600
12		CP1	5,600		0

PROBLEM 7-5B (Continued)

A. Dambro

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 7		P1		23,000	23,000
17		CP1	23,000		0

D. Budke

Date	Explanation	Ref.	Debit	Credit	Balance
Feb. 16		P1		1,900	1,900
28		CP1	1,900		0

(e)

LOWERY CO. Trial Balance February 28, 2014

	Debit	Credit
Cash	\$ 142	
Accounts Receivable.....	12,000	
Inventory	22,738	
Supplies	980	
Equipment.....	4,500	
Accounts Payable.....		\$ 8,000
Owner's Capital		23,000
Owner's Drawings	800	
Sales Revenue		25,500
Sales Discounts.....	40	
Cost of Goods Sold	15,300	
	<u>\$56,500</u>	<u>\$56,500</u>

PROBLEM 7-5B (Continued)

(f)	Accounts Receivable control account		<u>\$12,000</u>
	Accounts Receivable subsidiary accounts		
	T. Ghosh	\$6,500	
	W. Hoy	<u>5,500</u>	<u>\$12,000</u>
	Accounts Payable control account		<u>\$ 8,000</u>
	Accounts Payable subsidiary account		
	Eberle Company		<u>\$ 8,000</u>

(g)

General Journal				G1
Date	Accounts and Explanations	Ref.	Debit	Credit
Feb. 28	Supplies Expense	631	780	
	Supplies	126		780
28	Depreciation Expense	711	150	
	Accumulated Depreciation— Equipment	158		150

PROBLEM 7-5B (Continued)**(h)****LOWERY CO.
Adjusted Trial Balance
February 28, 2014**

	Debit	Credit
Cash	\$ 142	
Accounts Receivable.....	12,000	
Inventory	22,738	
Supplies	200	
Equipment.....	4,500	
Accumulated Depreciation—Equipment.....		\$ 150
Accounts Payable.....		8,000
Owner's Capital		23,000
Owner's Drawings	800	
Sales Revenue		25,500
Sales Discounts.....	40	
Cost of Goods Sold	15,300	
Supplies Expense	780	
Depreciation Expense	150	
	<u>\$56,650</u>	<u>\$56,650</u>

COMPREHENSIVE PROBLEM: CHAPTERS 3 TO 7

Note: If the working papers that accompany this text are not used in solving this problem, account numbers may differ from those presented in this solution.

(a)

Sales Journal				S1
Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.
Jan. 3	B. Berg	510	✓	3,600
3	J. Lutz	511	✓	1,800
11	R. Kotsay	512	✓	2,900
11	S. Andrus	513	✓	900
22	B. Berg	514	✓	3,700
22	R. Kotsay	515	✓	800
25	B. Boxberger	516	✓	3,500
25	J. Lutz	517	✓	6,100
				<u>23,300</u>
				(112)(401)

Purchases Journal				P1
Date	Account Credited	Terms	Ref.	Purchases Dr. Accounts Payable Cr.
Jan. 5	S. Colt		✓	5,000
5	D. Kahn		✓	2,700
16	D. Baroni		✓	12,000
16	S. Otero		✓	13,900
16	S. Colt		✓	1,500
27	D. Baroni		✓	12,500
27	D. Kahn		✓	1,200
27	S. Colt		✓	2,800
				<u>51,600</u>
				(510)(201)

COMPREHENSIVE PROBLEM (Continued)

Cash Receipts Journal					CR1
Date	Account Credited	Ref.	Cash Dr.	Accounts Receivable Cr.	Sales Revenue Cr. Other Accounts Cr.
Jan. 7	S. Andrus	✓	4,000	4,000	
7	B. Boxberger	✓	2,000	2,000	
10			15,500		15,500
13	B. Berg	✓	3,600	3,600	
13	J. Lutz	✓	1,500	1,500	
20			17,500		17,500
21	S. Andrus	✓	900	900	
31			<u>22,920</u>		<u>22,920</u>
			<u>67,920</u>	<u>12,000</u>	<u>55,920</u>
			(101)	(112)	(401)

Cash Payments Journal					CP1
Date	Account Debited	Ref.	Other Accounts Dr.	Accounts Payable Dr.	Supplies Dr. Cash Cr.
Jan. 8	Freight In	516	180		180
9	S. Otero	✓		9,000	9,000
9	D. Baroni	✓		11,000	11,000
12	Rent Expense	729	1,000		1,000
15	Owner's Drawings	306	800		800
17					400
23	D. Baroni	✓		12,000	12,000
23	S. Otero	✓		13,700	13,700
28					200
31	Salaries and Wages Expense	627	<u>7,900</u>		<u>7,900</u>
			<u>9,880</u>	<u>45,700</u>	<u>56,180</u>
			(X)	(201)	(125)
					(101)

COMPREHENSIVE PROBLEM (Continued)

(a) & (e)

General Journal				G1
Date	Account Titles and Explanations	Ref.	Debit	Credit
Jan. 9	Sales Returns and Allowances	412	300	
	Accounts Receivable— J. Lutz.....	112/✓		300
	(Issued credit for merchandise returned)			
18	Accounts Payable—S. Otero.....	201/✓	200	
	Purchase Returns and Allowances	512		200
	(Received credit for returned goods)			
21	Accounts Payable— R. Rasmus	201/✓	15,000	
	Notes Payable.....	200		15,000
	(Issued note for balance due)			
<u>Adjusting Entries</u>				
31	Supplies Expense	728	900	
	Supplies	125		900
31	Insurance Expense (1/10 X 2,000)	722	200	
	Prepaid Insurance	130		200
31	Depreciation Expense (1/12 X 1,500)	711	125	
	Accumulated Depreciation— Equipment.....	158		125
31	Interest Expense	718	30	
	Interest Payable.....	230		30

COMPREHENSIVE PROBLEM (Continued)

General Journal				G1
Date	Account Titles and Explanations	Ref.	Debit	Credit
Jan. 31	Inventory (Jan. 31)	120	15,000	
	Sales Revenue	401	79,220	
	Purchase Returns and Allowances	512	200	
	Income Summary	350		94,420
31	Income Summary	350	82,235	
	Inventory (Jan. 1)	120		20,000
	Sales Returns and Allowances	412		300
	Purchases	510		51,600
	Freight In	516		180
	Rent Expense	729		1,000
	Salaries and Wages Expense	627		7,900
	Supplies Expense	728		900
	Insurance Expense	722		200
	Depreciation Expense	711		125
	Interest Expense	718		30
31	Income Summary	350		
	Owner's Capital	301	12,185	
				12,185
31	Owner's Capital	301	800	
	Owner's Drawings	306		800

(b) & (e)

General Ledger

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			33,750
31		CR1	67,920		101,670
31		CP1		56,180	45,490

COMPREHENSIVE PROBLEM (Continued)

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			13,000
31		S1	23,300		36,300
31		CR1		12,000	24,300
9		G1		300	24,000

Notes Receivable No. 115

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			39,000

Inventory No. 120

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			20,000
31	Adj. entry	G1	15,000		35,000
31	Adj. entry	G1		20,000	15,000

Supplies No. 125

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,000
31		CP1	600		1,600
31	Adj. entry	G1		900	700

Prepaid Insurance No. 130

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			2,000
31	Adj. entry	G1		200	1,800

Equipment No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			6,450

COMPREHENSIVE PROBLEM (Continued)

Accumulated Depreciation—Equipment

No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
31	Adj. entry	G1		125	1,625

Notes Payable

No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 21		G1		15,000	15,000

Accounts Payable

No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,000
31		P1		51,600	86,600
31		CP1	45,700		40,900
18		G1	200		40,700
21		G1	15,000		25,700

Interest Payable

No. 230

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1		30	30

Owner's Capital

No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			78,700
31		G1		12,185	90,885
31		G1	800		90,085

Owner's Drawings

No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 15		CP1	800		800
31	Clos. entry	G1		800	0

COMPREHENSIVE PROBLEM (Continued)

Income Summary No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1		94,420	94,420
31		G1	82,235		12,185
31	Clos. entry	G1	12,185		0

Sales Revenue No. 401

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		S1		23,300	23,300
31		CR1		55,920	79,220
31	Clos. entry	G1	79,220		0

Sales Returns and Allowances No. 412

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 9		G1	300		300
31	Clos. entry	G1		300	0

Purchases No. 510

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		P1	51,600		51,600
31	Clos. entry	G1		51,600	0

Purchase Returns and Allowances No. 512

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 18		G1		200	200
31	Clos. entry	G1	200		0

Freight-In No. 516

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 8		CP1	180		180
31	Clos. entry	G1		180	0

COMPREHENSIVE PROBLEM (Continued)

Salaries and Wages Expense

No. 627

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CP1	7,900		7,900
31	Clos. entry	G1		7,900	0

Depreciation Expense

No. 711

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1	125		125
31	Clos. entry	G1		125	0

Interest Expense

No. 718

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1	30		30
31	Clos. entry	G1		30	0

Insurance Expense

No. 722

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1	200		200
31	Clos. entry	G1		200	0

Supplies Expense

No. 728

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1	900		900
31	Clos. entry	G1		900	0

Rent Expense

No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 12		CP1	1,000		1,000
31	Clos. entry	G1		1,000	0

COMPREHENSIVE PROBLEM (Continued)

Accounts Receivable Subsidiary Ledger

R. Kotsay

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
11		S1	2,900		4,400
22		S1	800		5,200

J. Lutz

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	1,800		1,800
9		G1		300	1,500
13		CR1		1,500	0
25		S1	6,100		6,100

B. Boxberger

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			7,500
7		CR1		2,000	5,500
25		S1	3,500		9,000

S. Andrus

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			4,000
7		CR1		4,000	0
11		S1	900		900
21		CR1		900	0

B. Berg

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	3,600		3,600
13		CR1		3,600	0
22		S1	3,700		3,700

COMPREHENSIVE PROBLEM (Continued)

Accounts Payable Subsidiary Ledger

D. Kahn

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		2,700	2,700
27		P1		1,200	3,900

S. Otero

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			9,000
9		CP1	9,000		0
16		P1		13,900	13,900
18		G1	200		13,700
23		CP1	13,700		0

R. Rasmus

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			15,000
21		G1	15,000		0

D. Baroni

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			11,000
9		CP1	11,000		0
16		P1		12,000	12,000
23		CP1	12,000		0
27		P1		12,500	12,500

S. Colt

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		5,000	5,000
16		P1		1,500	6,500
27		P1		2,800	9,300

(c)

MCBRIDE COMPANY
Worksheet
For the Month Ended January 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	45,490				45,490				45,490	
Accounts Receivable	24,000				24,000				24,000	
Notes Receivable	39,000				39,000				39,000	
Inventory	20,000				20,000		20,000	15,000	15,000	
Supplies	1,600		(1)	900	700				700	
Prepaid Insurance	2,000		(2)	200	1,800				1,800	
Equipment	6,450				6,450				6,450	
Accum. Depreciation—Equipment		1,500	(3)	125		1,625				1,625
Notes Payable		15,000				15,000				15,000
Accounts Payable		25,700				25,700				25,700
Interest Payable			(4)	30		30				30
Owner's Capital		78,700				78,700				78,700
Owner's Drawings	800				800				800	
Sales Revenue		79,220				79,220	79,220			
Sales Returns and Allowances	300				300		300			
Purchases	51,600				51,600		51,600			
Purchase Returns and Allowances		200				200		200		
Freight—In	180				180		180			
Salaries and Wages Expense	7,900				7,900		7,900			
Rent Expense	1,000				1,000		1,000			
Totals	<u>200,320</u>	<u>200,320</u>								
Supplies Expense			(1)	900	900		900			
Insurance Expense			(2)	200	200		200			
Depreciation Expense			(3)	125	125		125			
Interest Expense			(4)	30	30		30			
Totals			<u>1,255</u>	<u>1,255</u>	<u>200,475</u>	<u>200,475</u>	<u>82,235</u>	<u>94,420</u>	<u>133,240</u>	<u>121,055</u>
Net Income							<u>12,185</u>			<u>12,185</u>
Totals							<u>94,420</u>	<u>94,420</u>	<u>133,240</u>	<u>133,240</u>

COMPREHENSIVE PROBLEM (Continued)

(d)

MCBRIDE CO.
Income Statement
For the Month Ended January 31, 2014

Sales revenues			
Sales revenue			\$79,220
Less: Sales returns and allowances			<u>300</u>
Net sales revenue			78,920
Cost of goods sold			
Inventory, 1/1/14		\$20,000	
Purchases	\$51,600		
Less: Purchase returns and allowances	<u>200</u>		
Net purchases	51,400		
Freight-in	<u>180</u>	51,580	
Cost of goods available for sale ...		71,580	
Less: Inventory, 1/31/14		<u>15,000</u>	
Cost of goods sold			<u>56,580</u>
Gross profit			22,340
Operating expenses			
Salaries and wages expense		7,900	
Rent expense		1,000	
Supplies expense		900	
Insurance expense		200	
Depreciation expense		<u>125</u>	
Total oper. expenses			<u>10,125</u>
Income from operations			12,215
Other expenses and losses			
Interest expense			<u>30</u>
Net income			<u>\$12,185</u>

COMPREHENSIVE PROBLEM (Continued)

MCBRIDE CO. Owner's Equity Statement For the Month Ended January 31, 2014

Owner's Capital, January 1, 2014	\$78,700
Add: Net income	<u>12,185</u>
	90,885
Less: Drawings	<u>800</u>
Owner's Capital, January 31, 2014	<u>\$90,085</u>

MCBRIDE CO. Balance Sheet January 31, 2014

Assets		
Current assets		
Cash	\$45,490	
Notes receivable.....	39,000	
Accounts receivable	24,000	
Inventory	15,000	
Supplies	700	
Prepaid insurance	<u>1,800</u>	
Total current assets.....		\$125,990
Property and equipment		
Equipment.....	6,450	
Less: Accumulated depreciation	<u>1,625</u>	<u>4,825</u>
Total assets.....		<u>\$130,815</u>
Liabilities and Owner's Equity		
Current liabilities		
Notes payable.....	\$15,000	
Accounts payable.....	25,700	
Interest payable	<u>30</u>	
Total liabilities.....		\$ 40,730
Owner's equity		
Owner's capital.....		<u>90,085</u>
Total liabilities and owner's equity....		<u>\$130,815</u>

COMPREHENSIVE PROBLEM (Continued)

(f)

MCBRIDE CO. Post-Closing Trial Balance January 31, 2014

	Debit	Credit
Cash	\$ 45,490	
Accounts Receivable	24,000	
Notes Receivable	39,000	
Inventory	15,000	
Supplies	700	
Prepaid Insurance	1,800	
Equipment	6,450	
Accumulated Depreciation—Equipment		\$ 1,625
Notes Payable		15,000
Accounts Payable		25,700
Interest Payable		30
Owner's Capital		90,085
	<u>\$132,440</u>	<u>\$132,440</u>

Accounts Receivable balance \$24,000

Subsidiary account balances

R. Kotsay	\$ 5,200	
J. Lutz	6,100	
B. Boxberger	9,000	
B. Berg	<u>3,700</u>	
		<u>\$24,000</u>

Accounts Payable balance..... \$25,700

Subsidiary account balances

D. Kahn	\$ 3,900	
D. Baroni	12,500	
S. Colt	<u>9,300</u>	
		<u>\$25,700</u>

BYP 7-1 FINANCIAL REPORTING PROBLEM—A MINI PRACTICE SET

(a)

Sales Journal						S1
Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. Sales Revenue Cr.	Cost of Goods Sold Dr. Inventory Cr.	
Jan. 3	B. Corpas	510	✓	3,600	2,160	
3	J. Revere	511	✓	1,800	1,080	
11	R. Beltre	512	✓	1,600	960	
11	S. Mahay	513	✓	900	540	
22	B. Corpas	514	✓	2,700	1,620	
22	R. Beltre	515	✓	2,300	1,380	
25	B. Santos	516	✓	3,500	2,100	
25	J. Revere	517	✓	6,100	3,660	
				<u>22,500</u>	<u>13,500</u>	
				(112)(401)	(505)(120)	

Purchases Journal						P1
Date	Account Credited	Terms	Ref.	Inventory Dr. Accounts Payable Cr.		
Jan. 5	S. Gamel	n/30	✓	5,000		
5	D. Posey	n/30	✓	2,200		
16	D. Saito	1/10, n/30	✓	15,000		
16	S. Meek	2/10, n/30	✓	14,200		
16	S. Gamel	n/30	✓	1,500		
27	D. Saito	1/10, n/30	✓	14,500		
27	D. Posey	n/30	✓	3,200		
27	S. Gamel	n/30	✓	5,400		
				<u>61,000</u>		
				(120)(201)		

BYP 7-1 (Continued)

Cash Receipts Journal

CR1

Date	Account Credited	Ref.	Cash Dr.	Sales		Accounts Receivable Cr.	Sales Revenue Cr.	Other Accounts Cr.	Cost of Goods Sold
				Discounts Dr.					Dr. Inventory Cr.
Jan. 7	S. Mahay	✓	4,000			4,000			
7	B. Santos	✓	2,000			2,000			
10			15,500				15,500		9,300
13	B. Corpas	✓	3,528	72		3,600			
13	J. Revere	✓	1,470	30		1,500			
20			20,100				20,100		12,060
21	S. Mahay	✓	882	18		900			
31			<u>21,300</u>				<u>21,300</u>		<u>12,780</u>
			<u>68,780</u>	<u>120</u>		<u>12,000</u>	<u>56,900</u>		<u>34,140</u>
			(101)	(414)		(112)	(401)		(505)(120)

Cash Payments Journal

CP1

Date	Account Debited	Ref.	Other Accounts		Accounts Payable Dr.	Supplies Dr.	Inventory Cr.	Cash
			Dr.					Cr.
Jan. 8	Inventory	120	235					235
9	S. Meek	✓			9,000		180	8,820
9	D. Saito	✓			11,000		110	10,890
12	Rent Expense	729	1,000					1,000
15	Owner's Drawings	306	800					800
17						400		400
23	D. Saito	✓			15,000		150	14,850
23	S. Meek	✓			14,000		280	13,720
28						200		200
31	Salaries and Wages Expense	627	8,100					8,100
			<u>10,135</u>		<u>49,000</u>	<u>600</u>	<u>720</u>	<u>59,015</u>
			(X)		(201)	(125)	(120)	(101)

BYP 7-1 (Continued)

(a) & (e)

General Journal				G1
Date	Account Titles and Explanations	Ref.	Debit	Credit
Jan. 9	Sales Returns and Allowances	412	300	
	Accounts Receivable—			
	J. Revere	112/✓		300
	(Issued credit for merchandise returned)			
	Inventory	120	180	
	(\$300 X .60)			
	Cost of Goods Sold	505		180
18	Accounts Payable—S. Meek	201/✓	200	
	Inventory	120		200
	(Received credit for returned goods)			
21	Accounts Payable—R. Moses	201/✓	15,000	
	Notes Payable	200		15,000
	(Payment of balance due)			
<u>Adjusting Entries</u>				
31	Supplies Expense	728	700	
	Supplies	125		700
31	Insurance Expense	722	200	
	Prepaid Insurance	130		200
31	Depreciation Expense			
	(\$1,500 ÷ 12)	711	125	
	Accumulated Depreciation—			
	Equipment	158		125
31	Interest Expense	718	50	
	Interest Payable	230		50
<u>Closing Entries</u>				
31	Sales Revenue	401	79,400	
	Income Summary	350		79,400

BYP 7-1 (Continued)

General Journal				G1
Date	Account Titles and Explanations	Ref.	Debit	Credit
Jan. 31	Income Summary	350	58,055	
	Sales Discounts	414		120
	Sales Returns and Allowances	412		300
	Cost of Goods Sold.....	505		47,460
	Rent Expense	729		1,000
	Salaries and Wages Expense	627		8,100
	Supplies Expense	728		700
	Insurance Expense	722		200
	Depreciation Expense.....	711		125
	Interest Expense	718		50
31	Income Summary	350	21,345	
	Owner's Capital.....	301		21,345
31	Owner's Capital.....	301	800	
	Owner's Drawings.....	306		800

(b) & (e)

General Ledger

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,750
31		CR1	68,780		104,530
31		CP1		59,015	45,515

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			13,000
31		S1	22,500		35,500
31		CR1		12,000	23,500
9		G1		300	23,200

BYP 7-1 (Continued)

Notes Receivable No. 115

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			39,000

Inventory No. 120

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			18,000
31		P1	61,000		79,000
31		S1		13,500	65,500
31		CR1		34,140	31,360
8		CP1	235		31,595
31		CP1		720	30,875
9		G1	180		31,055
18		G1		200	30,855

Supplies No. 125

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,000
31		CP1	600		1,600
31	Adj. entry	G1		700	900

Prepaid Insurance No. 130

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			2,000
31	Adj. entry	G1		200	1,800

Equipment No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			6,450

BYP 7-1 (Continued)

Accumulated Depreciation—Equipment

No. 158

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
31	Adj. entry	G1		125	1,625

Notes Payable

No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 21		G1		15,000	15,000

Accounts Payable

No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			35,000
31		P1		61,000	96,000
31		CP1	49,000		47,000
18		G1	200		46,800
21		G1	15,000		31,800

Interest Payable

No. 230

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31	Adj. entry	G1		50	50

Owner's Capital

No. 301

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			78,700
31		G1		21,345	100,045
31	Clos. entry	G1	800		99,245

Owner's Drawings

No. 306

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 15		CP1	800		800
31	Clos. entry	G1		800	0

BYP 7-1 (Continued)**Income Summary** **No. 350**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1		79,400	79,400
31		G1	58,055		21,345
31	Clos. entry	G1	21,345		0

Sales Revenue **No. 401**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		S1		22,500	22,500
31		CR1		56,900	79,400
31	Clos. entry	G1	79,400		0

Sales Returns and Allowances **No. 412**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 9		G1	300		300
31	Clos. entry	G1		300	0

Sales Discounts **No. 414**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CR1	120		120
31	Clos. entry	G1		120	0

Cost of Goods Sold **No. 505**

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		S1	13,500		13,500
31		CR1	34,140		47,640
9		G1		180	47,460
31	Clos. entry	G1		47,460	0

BYP 7-1 (Continued)

Salaries and Wages Expense

No. 627

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		CP1	8,100		8,100
31	Clos. entry	G1		8,100	0

Depreciation Expense

No. 711

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1	125		125
31	Clos. entry	G1		125	0

Interest Expense

No. 718

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1	50		50
31	Clos. entry	G1		50	0

Insurance Expense

No. 722

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1	200		200
31	Clos. entry	G1		200	0

Supplies Expense

No. 728

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 31		G1	700		700
31	Clos. entry	G1		700	0

Rent Expense

No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 12		CP1	1,000		1,000
31	Clos. entry	G1		1,000	0

BYP 7-1 (Continued)

Accounts Receivable Subsidiary Ledger

R. Beltre

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			1,500
11		S1	1,600		3,100
22		S1	2,300		5,400

J. Revere

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	1,800		1,800
9		G1		300	1,500
13		CR1		1,500	0
25		S1	6,100		6,100

B. Santos

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			7,500
7		CR1		2,000	5,500
25		S1	3,500		9,000

S. Mahey

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			4,000
7		CR1		4,000	0
11		S1	900		900
21		CR1		900	0

B. Corpas

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3		S1	3,600		3,600
13		CR1		3,600	0
22		S1	2,700		2,700

BYP 7-1 (Continued)

Accounts Payable Subsidiary Ledger

D. Posey

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		2,200	2,200
27		P1		3,200	5,400

S. Meek

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			9,000
9		CP1	9,000		0
16		P1		14,200	14,200
18		G1	200		14,000
23		CP1	14,000		0

R. Moses

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			15,000
21		G1	15,000		0

D. Saito

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 1	Balance	✓			11,000
9		CP1	11,000		0
16		P1		15,000	15,000
23		CP1	15,000		0
27		P1		14,500	14,500

S. Gamel

Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 5		P1		5,000	5,000
16		P1		1,500	6,500
27		P1		5,400	11,900

(c)

JETER COMPANY
Worksheet
For the Month Ended January 31, 2014

Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	45,515				45,515				45,515	
Accounts Receivable	23,200				23,200				23,200	
Notes Receivable	39,000				39,000				39,000	
Inventory	30,855				30,855				30,855	
Supplies	1,600		(1)	700	900				900	
Prepaid Insurance	2,000		(2)	200	1,800				1,800	
Equipment	6,450				6,450				6,450	
Accum. Depreciation—Equipment		1,500	(3)	125		1,625				1,625
Notes Payable		15,000				15,000				15,000
Accounts Payable		31,800				31,800				31,800
Interest Payable			(4)	50		50				50
Owner's Capital		78,700				78,700				78,700
Owner's Drawings	800				800				800	
Sales Revenue		79,400				79,400	79,400			
Sales Returns and Allowances	300				300		300			
Sales Discounts	120				120		120			
Cost of Goods Sold	47,460				47,460		47,460			
Salaries and Wages Expense	8,100				8,100		8,100			
Rent Expense	1,000				1,000		1,000			
Totals	<u>206,400</u>	<u>206,400</u>								
Supplies Expense			(1)	700	700		700			
Insurance Expense			(2)	200	200		200			
Depreciation Expense			(3)	125	125		125			
Interest Expense			(4)	50	50		50			
Totals			<u>1,075</u>	<u>1,075</u>	<u>206,575</u>	<u>206,575</u>	<u>58,055</u>	<u>79,400</u>	<u>148,520</u>	<u>127,175</u>
Net Income							<u>21,345</u>			<u>21,345</u>
Totals							<u>79,400</u>	<u>79,400</u>	<u>148,520</u>	<u>148,520</u>

BYP 7-1 (Continued)**(d)**

JETER CO.
Income Statement
For the Month Ended January 31, 2014

Sales revenues		
Sales revenue		\$79,400
Less: Sales discounts.....	\$ 120	
Sales returns and allowances.....	300	420
Net sales revenue.....		78,980
Cost of goods sold.....		47,460
Gross profit		31,520
Operating expenses		
Salaries and wages expense	\$8,100	
Rent expense	1,000	
Supplies expense	700	
Insurance expense	200	
Depreciation expense.....	125	
Total operating expenses		10,125
Income from operations		21,395
Other expenses and losses		
Interest expense.....		50
Net income		<u>\$21,345</u>

JETER CO.
Owner's Equity Statement
For the Month Ended January 31, 2014

Owner's, Capital, January 1, 2014	\$78,700
Add: Net income	<u>21,345</u>
	100,045
Less: Drawings	<u>800</u>
Owner's, Capital, January 31, 2014	<u><u>\$99,245</u></u>

JETER CO.
Balance Sheet
January 31, 2014

Assets		
Current assets		
Cash	\$45,515	
Accounts receivable	23,200	
Notes receivable	39,000	
Inventory	30,855	
Supplies	900	
Prepaid insurance	<u>1,800</u>	
Total current assets		\$141,270
Property, plant, and equipment		
Equipment	6,450	
Less: Accumulated depreciation	<u>1,625</u>	<u>4,825</u>
Total assets		<u><u>\$146,095</u></u>
Liabilities and Owner's Equity		
Current liabilities		
Notes payable	\$15,000	
Accounts payable	31,800	
Interest payable	<u>50</u>	
Total liabilities		\$ 46,850
Owner's equity		
Owner's capital		<u>99,245</u>
Total liabilities and owner's equity		<u><u>\$146,095</u></u>

BYP 7-1 (Continued)

(f)

JETER CO.
Post-Closing Trial Balance
January 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 45,515	
Accounts Receivable	23,200	
Notes Receivable	39,000	
Inventory	30,855	
Supplies	900	
Prepaid Insurance	1,800	
Equipment	6,450	
Accumulated Depreciation—Equipment		\$ 1,625
Notes Payable		15,000
Accounts Payable		31,800
Interest Payable		50
Owner's Capital		<u>99,245</u>
	<u>\$147,720</u>	<u>\$147,720</u>

Accounts Receivable balance \$23,200

Subsidiary account balances

R. Beltre	\$ 5,400	
J. Revere	6,100	
B. Santos	9,000	
B. Corpas	<u>2,700</u>	
		<u>\$23,200</u>

Accounts Payable balance..... \$31,800

Subsidiary account balances

D. Posey	\$ 5,400	
D. Saito	14,500	
S. Gamel	<u>11,900</u>	
		<u>\$31,800</u>

Answers will vary.

- (a) The special journals for Ermler & Trump should be: (1) sales journal, (2) purchases journal, (3) cash receipts journal, and (4) cash payments journal.

(1) Sales Journal columns:

Date.

Account Debited.

Invoice Number.

Reference.

Accounts Receivable, Dr. and Sales Revenue—Appliances, Cr.

Cost of Goods Sold, Dr. and Inventory—Appliances, Cr.

(2) Purchases Journal columns:

Date.

Account Credited.

Terms.

Reference.

Accounts Payable, Cr.

Inventory—Appliances, Dr.

Inventory—Parts, Dr.

Note: Because two different types of merchandise are purchased on credit, a three-column purchases journal might be used.

(3) Cash Receipts Journal columns:

Date.

Account Credited.

Reference.

Cash, Dr.

Accounts Receivable, Cr.

Sales Revenue—Appliances, Cr.

Sales Revenue—Parts, Cr.

Revenue from Repairs, Cr.

Other Accounts, Cr.

Cost of Goods Sold, Dr. and Inventory—

Appliances, Cr.

Cost of Goods Sold, Dr. and Inventory—Parts, Cr.

Note: A Sales Discounts, Dr. column is not needed because all credit terms are net/30 days.

BYP 7-3 (Continued)

(4) Cash Payments Journal columns:

Date.
Check Number.
Account Debited.
Reference.
Other Accounts, Dr.
Accounts Payable, Dr.
Advertising Expense, Dr.
Salaries and Wages Expense, Dr.
Inventory—Appliances, Cr.
Inventory—Parts, Cr.
Cash, Cr.

(b) Ermler & Trump should have:

- (1) An accounts receivable control account with individual customers' accounts in a customers' subsidiary ledger.**
- (2) An accounts payable control account with individual creditors in a creditors' subsidiary ledger.**

The use of control accounts and subsidiary ledgers will: (1) provide necessary up-to-date information on specific customer and creditor balances, (2) free the general ledger of excessive detail, (3) help locate errors in individual accounts, and (4) make possible a division of labor in posting.

**Mr. Ben Newell
2 Main Street
Central City, Michigan 48172**

Dear Mr. Newell:

Thank you for hiring two additional bookkeepers a month ago to help me with the accounting. Unfortunately, the inefficiencies in recording transactions have continued at an even higher rate. The reason is that there are often times when more than one person needs to use the journal. In addition, the daily posting of transactions continues to be very time consuming.

I would like to suggest some changes in the accounting system. Because of the increased volume of business, I believe it is time for us to use special journals for journalizing transactions. Special journals would be in addition to the journal that we are using now. There would be four special journals:

- 1. Sales journal—for all sales of merchandise on account.**
- 2. Cash receipts journal—for all cash received.**
- 3. Purchases journal—for all purchases of merchandise on account.**
- 4. Cash payments journal—for all cash payments.**

To use special journals, we will need columnar journal paper which can be obtained at any office supply store at very low cost. I can also quickly train the new bookkeepers in the use of special journals. Special journals will permit a division of labor so that all three of us can be recording transactions at the same time. Thus, the inefficiencies in journalizing will be eliminated.

Special journals also make it possible to do some postings monthly. This will significantly reduce the time required to make daily postings. As a result, it should free up some time for us to do other things!

I am confident that the use of special journals will improve the efficiency of the accounting department. If you have any questions on this recommendation, please let me know.

Yours sincerely,

Jill

(a) The stakeholders in this case are:

- **Indy Grover, manager of Wiemers's centralized computer accounting operation.**
- **The employees of Wiemers's three divisions at Freeport, Rockport, and Bayport.**

(b) Indy's instructions to assign the Bayport code to all uncoded and incorrectly coded sales documents overstates the sales of Bayport and understates the sales of Freeport and Rockport, thereby affecting the employee bonus plan. Indy's intent and action are unethical. He is padding the sales of his wife, relatives, and friends at Bayport division and unfairly aiding them in the bonus competition.

(c) Wiemers Products Company should have a written policy covering uncoded and incorrectly coded sales documents. This would prevent the manager from arbitrarily designating the division to be credited for the uncoded sales.

The process begins when journal entries are recorded for transactions in a journal. Once entries are made in the journal, they are posted to the ledger by using the Post function. After entries have been posted, you can click on Reports in the Main Menu and choose from a variety of reports. These include the following: Chart of Accounts, Trial Balance, General Ledger, Subsidiary Ledger, Journals, Balance Sheet, Income Statement, Owner's Equity Statement.

IFRS EXERCISES

IFRS7-1

The transition date is the beginning of the earliest period for which full comparative IFRS information is presented. The reporting date is the closing statement of financial position date for the first IFRS financial statements.

IFRS 7-2

The characteristics of high quality information in a company's first IFRS financial statements are that information be transparent, provide a suitable starting point, and have a cost that does not exceed the benefits.

IFRS 7-3

The steps in preparing the opening IFRS statement of financial position include the following:

1. Include all assets and liabilities that IFRS requires.
2. Exclude any assets and liabilities that IFRS does not permit.
3. Classify all assets, liabilities, and equity in accordance with IFRS.
4. Measure all assets and liabilities according to IFRS.

IFRS 7-4

Becker's opening balance sheet will be dated January 1, 2013. The periods covered in Becker's first IFRS financial statements will be 2013 and 2014.

IFRS 7-5

Upon adoption of IFRS, Stengel must adjust its inventory value from £250,000 to £265,000. They would make an entry debiting Inventory and crediting Retained Earnings for £15,000.