

# SOLUTIONS MANUAL

Warren Reeve Duchac  
**ACCOUNTING**



23e

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# CHAPTER 2

## ANALYZING TRANSACTIONS

### EYE OPENERS

1. An account is a form designed to record changes in a particular asset, liability, owner's equity, revenue, or expense. A ledger is a group of related accounts.
2. The terms *debit* and *credit* may signify either an increase or decrease, depending upon the nature of the account. For example, debits signify an increase in asset and expense accounts but a decrease in liability, owner's capital, and revenue accounts.
3. Liabilities and owner's equity both have rights or claims to assets as indicated by the accounting equation,  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$ . Therefore, the same rules of debit and credit apply to both liabilities and owner's equity.
4.
  - a. Decrease in owner's equity
  - b. Increase in expense
5.
  - a. Increase in owner's equity
  - b. Increase in revenue
6.
  - a. Assuming no errors have occurred, the credit balance in the cash account resulted from drawing checks for \$1,250 in excess of the amount of cash on deposit.
  - b. The \$1,250 credit balance in the cash account as of March 31 is a liability owed to the bank. It is usually referred to as an "overdraft" and should be classified on the balance sheet as a liability.
7.
  - a. The revenue was earned in July.
  - b. (1) Debit Accounts Receivable and credit Fees Earned or another appropriately titled revenue account in July.  
(2) Debit Cash and credit Accounts Receivable in August.
8. The trial balance is a proof of the equality of the debits and the credits in the ledger.
9. No. Errors may have been made that had the same erroneous effect on both debits and credits, such as failure to record and/or post a transaction, recording the same transaction more than once, and posting a transaction correctly but to the wrong account.
10. The listing of \$1,850 is a slide; the listing of \$3,860 is a transposition.
11.
  - a. No. Because the same error occurred on both the debit side and the credit side of the trial balance, the trial balance would not be out of balance.
  - b. Yes. The trial balance would not balance. The error would cause the debit total of the trial balance to exceed the credit total by \$90.
12.
  - a. The equality of the trial balance would not be affected.
  - b. On the income statement, total operating expenses (salary expense) would be overstated by \$10,000, and net income would be understated by \$10,000. On the statement of owner's equity, the beginning and ending capital would be correct. However, net income and withdrawals would be understated by \$10,000. These understatements offset one another, and, thus, ending owner's equity is correct. The balance sheet is not affected by the error.
13.
  - a. The equality of the trial balance would not be affected.
  - b. On the income statement, revenues (fees earned) would be overstated by \$120,000, and net income would be overstated by \$120,000. On the statement of owner's equity, the beginning capital would be correct. However, net income and ending capital would be overstated by \$120,000. The balance sheet total assets is correct. However, liabilities (notes payable) is understated by \$120,000, and owner's equity is overstated by \$120,000. The understatement of liabilities is offset by the overstatement of owner's equity, and, thus, total liabilities and owner's equity is correct.
14. The preferred procedure is to journalize and post a correcting entry debiting Accounts Payable and crediting Cash.

**15. a.** From the viewpoint of Yellowstone Storage, the balance of the checking account represents an asset.

**b.** From the viewpoint of Livingston Savings Bank, the balance of the checking account represents a liability.

## PRACTICE EXERCISES

### PE 2-1A

1. Debit and credit entries, Normal credit balance
2. Debit and credit entries, Normal debit balance
3. Debit entries only, Normal debit balance
4. Debit entries only, Normal debit balance
5. Debit and credit entries, Normal debit balance
6. Credit entries only, Normal credit balance

### PE 2-1B

1. Debit and credit entries, Normal debit balance
2. Credit entries only, Normal credit balance
3. Debit and credit entries, Normal credit balance
4. Credit entries only, Normal credit balance
5. Debit and credit entries, Normal credit balance
6. Debit entries only, Normal debit balance

### PE 2-2A

Oct. 14	Office Supplies.....	9,000	
	Cash.....		1,800
	Accounts Payable.....		7,200

### PE 2-2B

Feb. 3	Office Equipment .....	18,250	
	Cash.....		3,650
	Accounts Payable .....		14,600

**PE 2–3A**

Apr. 2	Cash.....	3,600	
	Fees Earned.....		3,600

**PE 2–3B**

Nov. 29	Accounts Receivable.....	11,375	
	Fees Earned.....		11,375

**PE 2–4A**

Jan. 19	Carla Hammond, Drawing.....	8,500	
	Cash.....		8,500

**PE 2–4B**

Dec. 23	Matt Nehls, Drawing.....	6,000	
	Cash.....		6,000

**PE 2–5A**

Using the following T account, solve for the amount of supplies expense (indicated by ? below).

Supplies			
July 1 Bal.	1,950		?   Supplies expense
Cash receipts	<u>6,750</u>		
July 31 Bal.	1,851		

$$\$1,851 = \$1,950 + \$6,750 - \text{Supplies expense}$$

$$\text{Supplies expense} = \$1,950 + \$6,750 - \$1,851 = \$6,849$$

**PE 2–5B**

Using the following T account, solve for the amount of cash receipts (indicated by ? below).

Cash			
Oct. 1 Bal.	23,600	315,700	Cash payments
Cash receipts	?		
Oct. 31 Bal.	36,900		

$$\$36,900 = \$23,600 + \text{Cash receipts} - \$315,700$$

$$\text{Cash receipts} = \$36,900 + \$315,700 - \$23,600 = \$329,000$$

**PE 2–6A**

- a. The totals are equal since both the debit and credit entries were journalized and posted for \$8,000.
- b. The totals are unequal. The credit total is higher by \$6,075 (\$6,750 – \$675).
- c. The totals are unequal. The debit total is higher by \$360 (\$4,510 – \$4,150).

**PE 2–6B**

- a. The totals are unequal. The debit total is higher by \$2,700 (\$6,300 – \$3,600).
- b. The totals are equal since both the debit and credit entries were journalized and posted for \$752.
- c. The totals are unequal. The debit total is higher by \$1,800 (\$900 + \$900).

**PE 2-7A**

a. Cash.....	6,480	
Accounts Receivable.....		6,480
b. Supplies .....	1,960	
Office Equipment .....		1,960
Supplies .....	1,960	
Accounts Payable .....		1,960

**Note:** The first entry in (b) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.

Supplies .....	3,920	
Office Equipment .....		1,960
Accounts Payable .....		1,960

**PE 2-7B**

a. Advertising Expense .....	950	
Miscellaneous Expense .....		950
Advertising Expense .....	950	
Cash.....		950

**Note:** The first entry in (a) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.

Advertising Expense .....	1,900	
Miscellaneous Expense .....		950
Cash.....		950
b. Accounts Payable.....	1,500	
Accounts Receivable.....		1,500



## EXERCISES

### Ex. 2–1

Balance Sheet Accounts	Income Statement Accounts
<u>Assets</u>	<u>Revenue</u>
Flight Equipment	Cargo and Mail Revenue
Purchase Deposits for Flight Equipment <sup>a</sup>	Passenger Revenue
Spare Parts and Supplies	<u>Expenses</u>
<u>Liabilities</u>	Aircraft Fuel Expense
Accounts Payable	Commissions <sup>c</sup>
Air Traffic Liability <sup>b</sup>	Landing Fees <sup>d</sup>
<u>Owner's Equity</u>	
None	

<sup>a</sup>Advance payments on aircraft purchases

<sup>b</sup>Passenger ticket sales not yet recognized as revenue

<sup>c</sup>Commissions paid to travel agents

<sup>d</sup>Fees paid to airports for landing rights

### Ex. 2–2

Account	Account Number
Accounts Payable	21
Accounts Receivable	12
Cash	11
Fees Earned	41
Land	13
Miscellaneous Expense	53
Supplies Expense	52
Tony Newbaurer, Capital	31
Tony Newbaurer, Drawing	32
Wages Expense	51

Ex. 2–3

<u>Balance Sheet Accounts</u>		<u>Income Statement Accounts</u>	
	<u>1. Assets</u>		<u>4. Revenue</u>
11	Cash	41	Fees Earned
12	Accounts Receivable		<u>5. Expenses</u>
13	Supplies	51	Wages Expense
14	Prepaid Insurance	52	Rent Expense
15	Equipment	53	Supplies Expense
	<u>2. Liabilities</u>	59	Miscellaneous Expense
21	Accounts Payable		
22	Unearned Rent		
	<u>3. Owner's Equity</u>		
31	Jamie Bjork, Capital		
32	Jamie Bjork, Drawing		

*Note:* The order of some of the accounts within the major classifications is somewhat arbitrary, as in accounts 13–14 and accounts 51–53. In a new business, the order of magnitude of balances in such accounts is not determinable in advance. The magnitude may also vary from period to period.

Ex. 2–4

a. and b.

Transaction	<u>Account Debited</u>		<u>Account Credited</u>	
	Type	Effect	Type	Effect
(1)	asset	+	owner's equity	+
(2)	asset	+	asset	–
(3)	asset	+	asset	–
			liability	+
(4)	expense	+	asset	–
(5)	asset	+	revenue	+
(6)	liability	–	asset	–
(7)	asset	+	asset	–
(8)	expense	+	asset	–
(9)	drawing	+	asset	–

Ex. 2–5

(1)	Cash .....	25,000	
	Anita Rayle, Capital .....		25,000
(2)	Supplies .....	1,750	
	Cash .....		1,750
(3)	Equipment .....	18,000	
	Accounts Payable .....		14,400
	Cash .....		3,600
(4)	Operating Expenses .....	2,700	
	Cash .....		2,700
(5)	Accounts Receivable .....	13,500	
	Service Revenue .....		13,500
(6)	Accounts Payable .....	7,500	
	Cash .....		7,500
(7)	Cash .....	10,000	
	Accounts Receivable .....		10,000
(8)	Operating Expenses .....	1,050	
	Supplies .....		1,050
(9)	Anita Rayle, Drawing .....	2,500	
	Cash .....		2,500

Ex. 2–6

**CYCLE TOURS CO.**  
**Unadjusted Trial Balance**  
**February 28, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	16,950	
Accounts Receivable .....	3,500	
Supplies .....	700	
Equipment .....	18,000	
Accounts Payable .....		6,900
Anita Rayle, Capital .....		25,000
Anita Rayle, Drawing .....	2,500	
Service Revenue .....		13,500
Operating Expenses .....	<u>3,750</u>	
	<u>45,400</u>	<u>45,400</u>

**Ex. 2–7**

1. debit and credit (c)
2. debit and credit (c)
3. debit and credit (c)
4. credit only (b)
5. debit only (a)
6. debit only (a)
7. debit only (a)

**Ex. 2–8**

- |                                                     |                   |
|-----------------------------------------------------|-------------------|
| a. Liability—credit                                 | e. Asset—debit    |
| b. Asset—debit                                      | f. Revenue—credit |
| c. Owner’s equity<br>(Billy Eldrod, Capital)—credit | g. Asset—debit    |
| d. Owner’s equity<br>(Billy Eldrod, Drawing)—debit  | h. Expense—debit  |
|                                                     | i. Asset—debit    |
|                                                     | j. Expense—debit  |

**Ex. 2–9**

- |           |           |
|-----------|-----------|
| a. credit | g. debit  |
| b. debit  | h. credit |
| c. debit  | i. credit |
| d. credit | j. debit  |
| e. credit | k. credit |
| f. credit | l. debit  |

**Ex. 2–10**

- a. Debit (negative) balance of \$16,200 ( $\$37,100 - \$1,000 - \$52,300$ ). Such a negative balance means that the liabilities of Oh’s business exceed the assets.
- b. Yes. The balance sheet prepared at December 31 will balance, with Oh Kwon, Capital, being reported in the owner’s equity section as a negative \$16,200.

**Ex. 2-11**

- a. The increase of \$49,850 (\$319,750 – \$269,900) in the cash account does not indicate earnings of that amount. Earnings will represent the net change in all assets and liabilities from operating transactions.
- b. \$22,500 (\$72,350 – \$49,850)

**Ex. 2-12**

a.

Accounts Payable		
	July 1	X
	<u>90,300</u>	<u>115,150</u>
	July 31	39,000

$$X + \$115,150 - \$90,300 = \$39,000$$

$$X = \$39,000 + \$90,300 - \$115,150$$

$$X = \$14,150$$

b.

Accounts Receivable		
May 1	36,200	315,000
	<u>X</u>	<u>          </u>
May 31	41,600	

$$\$36,200 + X - \$315,000 = \$41,600$$

$$X = \$41,600 + \$315,000 - \$36,200$$

$$X = \$320,400$$

c.

Cash		
Apr. 1	18,275	X
	<u>279,100</u>	<u>          </u>
Apr. 30	13,200	

$$\$18,275 + \$279,100 - X = \$13,200$$

$$X = \$18,275 + \$279,100 - \$13,200$$

$$X = \$284,175$$

**Ex. 2–13**

**2009**

<b>Mar. 1</b>	<b>Rent Expense .....</b>	<b>3,000</b>	
	<b>    Cash.....</b>		<b>3,000</b>
<b>2</b>	<b>Advertising Expense .....</b>	<b>1,800</b>	
	<b>    Cash.....</b>		<b>1,800</b>
<b>5</b>	<b>Supplies.....</b>	<b>900</b>	
	<b>    Cash.....</b>		<b>900</b>
<b>6</b>	<b>Office Equipment .....</b>	<b>12,300</b>	
	<b>    Accounts Payable.....</b>		<b>12,300</b>
<b>10</b>	<b>Cash.....</b>	<b>4,100</b>	
	<b>    Accounts Receivable .....</b>		<b>4,100</b>
<b>15</b>	<b>Accounts Payable .....</b>	<b>1,200</b>	
	<b>    Cash.....</b>		<b>1,200</b>
<b>27</b>	<b>Miscellaneous Expense .....</b>	<b>500</b>	
	<b>    Cash.....</b>		<b>500</b>
<b>30</b>	<b>Utilities Expense .....</b>	<b>180</b>	
	<b>    Cash.....</b>		<b>180</b>
<b>31</b>	<b>Accounts Receivable.....</b>	<b>26,800</b>	
	<b>    Fees Earned .....</b>		<b>26,800</b>
<b>31</b>	<b>Utilities Expense .....</b>	<b>315</b>	
	<b>    Cash.....</b>		<b>315</b>
<b>31</b>	<b>Terri Burell, Drawing .....</b>	<b>2,000</b>	
	<b>    Cash.....</b>		<b>2,000</b>

**Ex. 2-14**

a.

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<b>Date</b>	<b>Description</b>	<b>Post. Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>2010</b>				
Aug. 7	Supplies .....	15	2,190	
	Accounts Payable .....	21		2,190
	Purchased supplies on account.			

b., c., d.

<b>Supplies</b>						<b>15</b>	
<b>Date</b>	<b>Item</b>	<b>Post. Ref.</b>	<b>Dr.</b>	<b>Cr.</b>	<u><b>Balance</b></u>		
					<b>Dr.</b>	<b>Cr.</b>	
<b>2010</b>							
Aug. 1	Balance .....	✓	.....	.....	1,050	.....	
7	.....	19	2,190	.....	3,240	.....	

<b>Accounts Payable</b>						<b>21</b>	
<b>Date</b>	<b>Item</b>	<b>Post. Ref.</b>	<b>Dr.</b>	<b>Cr.</b>	<b>Dr.</b>	<b>Cr.</b>	
<b>2010</b>							
Aug. 1	Balance .....	✓	.....	.....	.....	15,600	
7	.....	19	.....	2,190	.....	17,790	

**Ex. 2–15**

**a.**

(1)	Accounts Receivable .....	41,730	
	Fees Earned .....		41,730
(2)	Supplies .....	1,800	
	Accounts Payable .....		1,800
(3)	Cash .....	39,150	
	Accounts Receivable .....		39,150
(4)	Accounts Payable .....	1,100	
	Cash .....		1,100

**b.**

<b>Cash</b>		<b>Accounts Payable</b>	
(3)	39,150	(4)	1,100
		(4)	1,100
		(2)	1,800
<b>Supplies</b>		<b>Fees Earned</b>	
(2)	1,800		
		(1)	41,730
<b>Accounts Receivable</b>			
(1)	41,730	(3)	39,150



Ex. 2–16

**AZNAR CO.**  
**Unadjusted Trial Balance**  
**October 31, 2010**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	26,000	
Accounts Receivable .....	56,250	
Supplies .....	3,150	
Prepaid Insurance .....	4,500	
Land.....	127,500	
Accounts Payable .....		28,000
Unearned Rent.....		13,500
Notes Payable.....		60,000
Ellen Kubota, Capital .....		129,850
Ellen Kubota, Drawing .....	30,000	
Fees Earned.....		465,000
Wages Expense.....	262,500	
Rent Expense .....	90,000	
Utilities Expense .....	62,250	
Supplies Expense .....	11,850	
Insurance Expense .....	9,000	
Miscellaneous Expense.....	13,350	
	<u>696,350</u>	<u>696,350</u>

Ex. 2–17

Inequality of trial balance totals would be caused by errors described in (a) and (e). For (a), the debit total would exceed the credit total by \$4,300 (\$2,150 + \$2,150). For (e), the debit total would exceed the credit total by \$10,000 (\$15,000 – \$5,000).

Ex. 2–18

**NEVADA-FOR-YOU CO.  
Unadjusted Trial Balance  
December 31, 2010**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	13,375	
Accounts Receivable .....	24,600	
Prepaid Insurance .....	8,000	
Equipment.....	75,000	
Accounts Payable .....		11,180
Unearned Rent.....		4,250
Tammy Gazboda, Capital.....		82,420
Tammy Gazboda, Drawing .....	10,000	
Service Revenue.....		83,750
Wages Expense.....	42,000	
Advertising Expense .....	7,200	
Miscellaneous Expense.....	1,425	
	<u>181,600</u>	<u>181,600</u>

Ex. 2–19

<u>Error</u>	<u>(a) Out of Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Total</u>
1.	yes	\$6,150	debit
2.	no	—	—
3.	yes	450	credit
4.	yes	270	credit
5.	no	—	—
6.	yes	1,800	credit
7.	yes	1,150	debit

**Ex. 2–20**

1. The debit column total is added incorrectly. The sum is \$1,167,000, rather than \$1,833,000.
2. The trial balance should be dated “March 31, 2010,” not “For the month ending March 31, 2010.”
3. The Accounts Receivable balance should be in the debit column.
4. The Accounts Payable balance should be in the credit column.
5. The Estelle Chatman, Drawing, balance should be in the debit column.
6. The Advertising Expense balance should be in the debit column.

A corrected trial balance would be as follows:

**BURGOO CO.  
Unadjusted Trial Balance  
March 31, 2010**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	90,000	
Accounts Receivable .....	196,800	
Prepaid Insurance .....	43,200	
Equipment.....	600,000	
Accounts Payable .....		22,200
Salaries Payable.....		15,000
Estelle Chatman, Capital .....		518,400
Estelle Chatman, Drawing .....	72,000	
Service Revenue.....		944,400
Salary Expense.....	393,720	
Advertising Expense.....	86,400	
Miscellaneous Expense .....	17,880	
	<u>1,500,000</u>	<u>1,500,000</u>

**Ex. 2–21**

a.	Prepaid Rent.....	6,000	
	Cash.....		6,000
b.	Juanita Jacobsen, Drawing .....	18,000	
	Wages Expense .....		18,000

**Ex. 2–22**

a.	Cash .....	7,500	
	Fees Earned .....		3,750
	Accounts Receivable .....		3,750
b.	Accounts Payable .....	1,500	
	Supplies Expense .....		1,500
	Supplies .....	1,500	
	Cash .....		1,500

**Ex. 2–23**

- a. 1. Net sales: \$189 million increase ( $\$3,728 - \$3,539$ )  
5.3% increase ( $\$189 \div \$3,539$ )
2. Total operating expenses: \$206 million increase ( $\$3,400 - \$3,194$ )  
6.4% increase ( $\$206 \div \$3,194$ )
- b. During 2007, the percentage increase in total operating expenses (6.4%) is more than the percentage increase in net sales (5.3%), an unfavorable trend.

Ex. 2–24

a.

**KMART CORPORATION**  
**Income Statement**  
**For the Years Ended January 31, 2000 and 1999**  
**(in millions)**

	<u>2000</u>	<u>1999</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
1. Sales .....	\$ 37,028	\$ 35,925	\$ 1,103	3.1%
2. Cost of sales .....	(29,658)	(28,111)	1,547	5.5%
3. Selling, general, and administrative expenses ...	<u>(7,415)</u>	<u>(6,514)</u>	<u>901</u>	13.8%
4. Operating income (loss) before taxes .....	<u>\$ (45)</u>	<u>\$ 1,300</u>	<u>\$(1,345)</u>	(103.5)%

- b. The horizontal analysis of Kmart Corporation reveals deteriorating operating results from 1999 to 2000. While sales increased by \$1,103 million, a 3.1% increase, cost of sales increased by \$1,547 million, a 5.5% increase. Selling, general, and administrative expenses also increased by \$901 million, a 13.8% increase. The end result was that operating income decreased by \$1,345 million, over a 100% decrease, and created a \$45 million loss in 2000. Little over a year later, Kmart filed for bankruptcy protection. It has now emerged from bankruptcy and was merged into Sears to form the company Sears Holding Corporation.

## PROBLEMS

### Prob. 2-1A

1. and 2.

Cash																							
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(a) 30,000</td><td style="width: 50%;">(b) 4,500</td></tr> <tr><td style="border-right: 1px solid black;">(g) 7,500</td><td>(c) 3,000</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(d) 1,450</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(f) 2,000</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(h) 1,750</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(i) 500</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(l) 1,600</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(m) 325</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(n) 250</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(o) <u>400</u></td></tr> <tr><td style="border-right: 1px solid black;">Bal. <u>21,725</u></td><td></td></tr> </table>	(a) 30,000	(b) 4,500	(g) 7,500	(c) 3,000		(d) 1,450		(f) 2,000		(h) 1,750		(i) 500		(l) 1,600		(m) 325		(n) 250		(o) <u>400</u>	Bal. <u>21,725</u>		
(a) 30,000	(b) 4,500																						
(g) 7,500	(c) 3,000																						
	(d) 1,450																						
	(f) 2,000																						
	(h) 1,750																						
	(i) 500																						
	(l) 1,600																						
	(m) 325																						
	(n) 250																						
	(o) <u>400</u>																						
Bal. <u>21,725</u>																							

Accounts Payable							
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(h) 1,750</td><td style="width: 50%;">(e) 6,000</td></tr> <tr><td style="border-right: 1px solid black;"><u>      </u></td><td>(j) <u>1,000</u></td></tr> <tr><td style="border-right: 1px solid black;"></td><td>Bal. 5,250</td></tr> </table>	(h) 1,750	(e) 6,000	<u>      </u>	(j) <u>1,000</u>		Bal. 5,250	
(h) 1,750	(e) 6,000						
<u>      </u>	(j) <u>1,000</u>						
	Bal. 5,250						

Travis Fortney, Capital			
	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;"></td><td style="width: 50%;">(a) 30,000</td></tr> </table>		(a) 30,000
	(a) 30,000		

Professional Fees							
	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;"></td><td style="width: 50%;">(g) 7,500</td></tr> <tr><td style="border-right: 1px solid black;"></td><td>(k) <u>5,200</u></td></tr> <tr><td style="border-right: 1px solid black;"></td><td>Bal. 12,700</td></tr> </table>		(g) 7,500		(k) <u>5,200</u>		Bal. 12,700
	(g) 7,500						
	(k) <u>5,200</u>						
	Bal. 12,700						

Accounts Receivable			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(k) 5,200</td><td style="width: 50%;"></td></tr> </table>	(k) 5,200		
(k) 5,200			

Rent Expense			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(c) 3,000</td><td style="width: 50%;"></td></tr> </table>	(c) 3,000		
(c) 3,000			

Supplies			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(d) 1,450</td><td style="width: 50%;"></td></tr> </table>	(d) 1,450		
(d) 1,450			

Salary Expense			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(l) 1,600</td><td style="width: 50%;"></td></tr> </table>	(l) 1,600		
(l) 1,600			

Prepaid Insurance			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(f) 2,000</td><td style="width: 50%;"></td></tr> </table>	(f) 2,000		
(f) 2,000			

Blueprint Expense			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(j) 1,000</td><td style="width: 50%;"></td></tr> </table>	(j) 1,000		
(j) 1,000			

Automobiles			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(b) 19,500</td><td style="width: 50%;"></td></tr> </table>	(b) 19,500		
(b) 19,500			

Automobile Expense			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(o) 400</td><td style="width: 50%;"></td></tr> </table>	(o) 400		
(o) 400			

Equipment			
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(e) 6,000</td><td style="width: 50%;"></td></tr> </table>	(e) 6,000		
(e) 6,000			

Miscellaneous Expense							
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(i) 500</td><td style="width: 50%;"></td></tr> <tr><td style="border-right: 1px solid black;">(m) <u>325</u></td><td></td></tr> <tr><td style="border-right: 1px solid black;">Bal. 825</td><td></td></tr> </table>	(i) 500		(m) <u>325</u>		Bal. 825		
(i) 500							
(m) <u>325</u>							
Bal. 825							

Notes Payable					
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%; border-right: 1px solid black;">(n) <u>250</u></td><td style="width: 50%;">(b) <u>15,000</u></td></tr> <tr><td style="border-right: 1px solid black;"></td><td>Bal. 14,750</td></tr> </table>	(n) <u>250</u>	(b) <u>15,000</u>		Bal. 14,750	
(n) <u>250</u>	(b) <u>15,000</u>				
	Bal. 14,750				

Prob. 2-1A Concluded

3.

**TRAVIS FORTNEY, ARCHITECT**  
**Unadjusted Trial Balance**  
**April 30, 2010**

---

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	21,725	
Accounts Receivable .....	5,200	
Supplies .....	1,450	
Prepaid Insurance .....	2,000	
Automobiles.....	19,500	
Equipment.....	6,000	
Notes Payable.....		14,750
Accounts Payable .....		5,250
Travis Fortney, Capital.....		30,000
Professional Fees .....		12,700
Rent Expense .....	3,000	
Salary Expense.....	1,600	
Blueprint Expense.....	1,000	
Automobile Expense.....	400	
Miscellaneous Expense .....	825	
	<u>62,700</u>	<u>62,700</u>

**Prob. 2–2A**

1.

(a)	Cash .....	17,500	
	Cody Doerr, Capital .....		17,500
(b)	Supplies .....	1,000	
	Accounts Payable .....		1,000
(c)	Cash .....	12,250	
	Sales Commissions .....		12,250
(d)	Rent Expense .....	3,800	
	Cash .....		3,800
(e)	Accounts Payable .....	600	
	Cash .....		600
(f)	Cody Doerr, Drawing .....	3,000	
	Cash .....		3,000
(g)	Automobile Expense .....	1,500	
	Miscellaneous Expense .....	400	
	Cash .....		1,900
(h)	Office Salaries Expense .....	3,100	
	Cash .....		3,100
(i)	Supplies Expense .....	725	
	Supplies .....		725



**Prob. 2–2A Continued**

2.

<b>Cash</b>			
(a)	17,500	(d)	3,800
(c)	12,250	(e)	600
		(f)	3,000
		(g)	1,900
		(h)	<u>3,100</u>
Bal.	<u>17,350</u>		

<b>Sales Commissions</b>	
	(c) 12,250

<b>Supplies</b>	
(b)	<u>1,000</u>
Bal.	275

<b>Rent Expense</b>	
(d)	3,800

<b>Office Salaries Expense</b>	
(h)	3,100

<b>Accounts Payable</b>	
(e)	<u>600</u>
(b)	<u>1,000</u>
Bal.	400

<b>Automobile Expense</b>	
(g)	1,500

<b>Cody Doerr, Capital</b>	
(a)	17,500

<b>Supplies Expense</b>	
(i)	725

<b>Cody Doerr, Drawing</b>	
(f)	3,000

<b>Miscellaneous Expense</b>	
(g)	400

Prob. 2–2A Concluded

3.

**BANYAN REALTY**  
**Unadjusted Trial Balance**  
**October 31, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	17,350	
Supplies .....	275	
Accounts Payable .....		400
Cody Doerr, Capital .....		17,500
Cody Doerr, Drawing.....	3,000	
Sales Commissions .....		12,250
Rent Expense .....	3,800	
Office Salaries Expense .....	3,100	
Automobile Expense .....	1,500	
Supplies Expense .....	725	
Miscellaneous Expense.....	400	
	<u>30,150</u>	<u>30,150</u>

4. a. \$12,250

b. \$9,525 (\$3,800 + \$3,100 + \$1,500 + \$725 + \$400)

c. \$2,725 (\$12,250 – \$9,525)

Prob. 2–3A

1.

**JOURNAL**

Pages 1 and 2

<b>Date</b>	<b>Description</b>	<b>Post. Ref.</b>	<b>Debit</b>	<b>Credit</b>
<b>2010</b>				
July 1	Cash .....	11	18,000	
	Jessie Halverson, Capital .....	31		18,000
4	Rent Expense .....	53	1,750	
	Cash .....	11		1,750
10	Truck .....	18	15,000	
	Cash .....	11		1,000
	Notes Payable .....	21		14,000
13	Equipment .....	16	7,000	
	Accounts Payable .....	22		7,000
14	Supplies .....	13	1,200	
	Cash .....	11		1,200
15	Prepaid Insurance .....	14	2,700	
	Cash .....	11		2,700
15	Cash .....	11	7,500	
	Fees Earned .....	41		7,500
21	Accounts Payable .....	22	2,500	
	Cash .....	11		2,500
24	Accounts Receivable .....	12	8,600	
	Fees Earned .....	41		8,600
26	Truck Expense .....	55	800	
	Accounts Payable .....	22		800
27	Utilities Expense .....	54	900	
	Cash .....	11		900
27	Miscellaneous Expense.....	59	315	
	Cash .....	11		315

Prob. 2-3A Continued

JOURNAL

Pages 1 and 2

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
July 29	Cash .....	11	3,600	
	Accounts Receivable .....	12		3,600
30	Wages Expense .....	51	2,400	
	Cash .....	11		2,400
31	Jessie Halverson, Drawing .....	32	2,000	
	Cash .....	11		2,000

2.

Cash

11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
July 1	.....	1	18,000	.....	18,000	.....
4	.....	1	.....	1,750	16,250	.....
10	.....	1	.....	1,000	15,250	.....
14	.....	1	.....	1,200	14,050	.....
15	.....	1	.....	2,700	11,350	.....
15	.....	1	7,500	.....	18,850	.....
21	.....	2	.....	2,500	16,350	.....
27	.....	2	.....	900	15,450	.....
27	.....	2	.....	315	15,135	.....
29	.....	2	3,600	.....	18,735	.....
30	.....	2	.....	2,400	16,335	.....
31	.....	2	.....	2,000	14,335	.....

Accounts Receivable

12

<b>2010</b>						
July 24	.....	2	8,600	.....	8,600	.....
29	.....	2	.....	3,600	5,000	.....

**Prob. 2–3A Continued**

**Supplies** **13**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2010						
July 14	.....	1	1,200	.....	1,200	.....

**Prepaid Insurance** **14**

2010						
July 15	.....	1	2,700	.....	2,700	.....

**Equipment** **16**

2010						
July 13	.....	1	7,000	.....	7,000	.....

**Truck** **18**

2010						
July 10	.....	1	15,000	.....	15,000	.....

**Notes Payable** **21**

2010						
July 10	.....	1	.....	14,000	.....	14,000

**Accounts Payable** **22**

2010						
July 13	.....	1	.....	7,000	.....	7,000
21	.....	2	2,500	.....	.....	4,500
26	.....	2	.....	800	.....	5,300

**Jessie Halverson, Capital** **31**

2010						
July 1	.....	1	.....	18,000	.....	18,000

**Jessie Halverson, Drawing** **32**

2010						
July 31	.....	2	2,000	.....	2,000	.....

**Prob. 2–3A Continued**

**Fees Earned 41**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
July 15	.....	1	.....	7,500	.....	7,500
24	.....	2	.....	8,600	.....	16,100

**Wages Expense 51**

<b>2010</b>						
July 30	.....	2	2,400	.....	2,400	.....

**Rent Expense 53**

<b>2010</b>						
July 4	.....	1	1,750	.....	1,750	.....

**Utilities Expense 54**

<b>2010</b>						
July 27	.....	2	900	.....	900	.....

**Truck Expense 55**

<b>2010</b>						
July 26	.....	2	800	.....	800	.....

**Miscellaneous Expense 59**

<b>2010</b>						
July 27	.....	2	315	.....	315	.....

Prob. 2–3A Concluded

3.

**PHOTOGENIC DESIGNS**  
**Unadjusted Trial Balance**  
**July 31, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	14,335	
Accounts Receivable .....	5,000	
Supplies .....	1,200	
Prepaid Insurance .....	2,700	
Equipment.....	7,000	
Truck .....	15,000	
Notes Payable.....		14,000
Accounts Payable .....		5,300
Jessie Halverson, Capital .....		18,000
Jessie Halverson, Drawing.....	2,000	
Fees Earned.....		16,100
Wages Expense.....	2,400	
Rent Expense .....	1,750	
Utilities Expense .....	900	
Truck Expense.....	800	
Miscellaneous Expense .....	315	
	<u>53,400</u>	<u>53,400</u>

Prob. 2–4A

2. and 3.

JOURNAL

Pages 18 and 19

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
Aug. 1	Office Supplies .....	14	2,100	
	Accounts Payable .....	21		2,100
2	Rent Expense .....	52	4,000	
	Cash .....	11		4,000
3	Cash .....	11	44,600	
	Accounts Receivable .....	12		44,600
5	Prepaid Insurance .....	13	5,700	
	Cash .....	11		5,700
9	Accounts Payable .....	21	400	
	Office Supplies .....	14		400
17	Advertising Expense .....	53	5,500	
	Cash .....	11		5,500
23	Accounts Payable .....	21	4,950	
	Cash .....	11		4,950
29	Miscellaneous Expense .....	59	500	
	Cash .....	11		500
30	Automobile Expense .....	54	1,500	
	Cash .....	11		1,500
31	Cash .....	11	1,000	
	Salary and Commission Expense .....	51		1,000
31	Salary and Commission Expense .....	51	27,800	
	Cash .....	11		27,800
31	Accounts Receivable .....	12	83,000	
	Fees Earned .....	41		83,000
31	Land .....	16	75,000	
	Cash .....	11		10,000
	Notes Payable .....	23		65,000
31	Drew Harris, Drawing .....	32	5,000	
	Cash .....	11		5,000
31	Cash .....	11	3,600	
	Unearned Rent .....	22		3,600



Prob. 2-4A Continued

1. and 3.

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2010						
Aug. 1	Balance .....	✓	.....	.....	33,920	.....
2	.....	18	.....	4,000	29,920	.....
3	.....	18	44,600	.....	74,520	.....
5	.....	18	.....	5,700	68,820	.....
17	.....	18	.....	5,500	63,320	.....
23	.....	18	.....	4,950	58,370	.....
29	.....	19	.....	500	57,870	.....
30	.....	19	.....	1,500	56,370	.....
31	.....	19	1,000	.....	57,370	.....
31	.....	19	.....	27,800	29,570	.....
31	.....	19	.....	10,000	19,570	.....
31	.....	19	.....	5,000	14,570	.....
31	.....	19	3,600	.....	18,170	.....

Accounts Receivable 12

2010						
Aug. 1	Balance .....	✓	.....	.....	57,200	.....
3	.....	18	.....	44,600	12,600	.....
31	.....	19	83,000	.....	95,600	.....

Prepaid Insurance 13

2010						
Aug. 1	Balance .....	✓	.....	.....	7,200	.....
5	.....	18	5,700	.....	12,900	.....

Office Supplies 14

2010						
Aug. 1	Balance .....	✓	.....	.....	1,600	.....
1	.....	18	2,100	.....	3,700	.....
9	.....	18	.....	400	3,300	.....

Land 16

2010						
Aug. 31	.....	19	75,000	.....	75,000	.....

**Prob. 2–4A Continued**

**Accounts Payable 21**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	.....	9,920
1	.....	18	.....	2,100	.....	12,020
9	.....	18	400	.....	.....	11,620
23	.....	18	4,950	.....	.....	6,670

**Unearned Rent 22**

<b>2010</b>						
Aug. 31	.....	19	.....	3,600	.....	3,600

**Notes Payable 23**

<b>2010</b>						
Aug. 31	.....	19	.....	65,000	.....	65,000

**Drew Harris, Capital 31**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	.....	50,480

**Drew Harris, Drawing 32**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	25,600	.....
31	.....	19	5,000	.....	30,600	.....

**Fees Earned 41**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	.....	352,000
31	.....	19	.....	83,000	.....	435,000

**Salary and Commission Expense 51**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	224,000	.....
31	.....	19	.....	1,000	223,000	.....
31	.....	19	27,800	.....	250,800	.....

**Prob. 2-4A Continued**

**Rent Expense 52**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	28,000	.....
2	.....	18	4,000	.....	32,000	.....

**Advertising Expense 53**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	22,880	.....
17	.....	18	5,500	.....	28,380	.....

**Automobile Expense 54**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	10,240	.....
30	.....	19	1,500	.....	11,740	.....

**Miscellaneous Expense 59**

<b>2010</b>						
Aug. 1	Balance .....	✓	.....	.....	1,760	.....
29	.....	19	500	.....	2,260	.....

Prob. 2–4A Concluded

4.

**DODGE CITY REALTY**  
**Unadjusted Trial Balance**  
**August 31, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	18,170	
Accounts Receivable .....	95,600	
Prepaid Insurance .....	12,900	
Office Supplies .....	3,300	
Land.....	75,000	
Accounts Payable .....		6,670
Unearned Rent.....		3,600
Notes Payable.....		65,000
Drew Harris, Capital .....		50,480
Drew Harris, Drawing.....	30,600	
Fees Earned.....		435,000
Salary and Commission Expense .....	250,800	
Rent Expense .....	32,000	
Advertising Expense .....	28,380	
Automobile Expense.....	11,740	
Miscellaneous Expense .....	2,260	
	<u>560,750</u>	<u>560,750</u>

**Prob. 2–5A**

- |                                                                                                  |                         |                              |
|--------------------------------------------------------------------------------------------------|-------------------------|------------------------------|
| 1. Totals of preliminary trial balance:                                                          | Debit                   | <u>\$30,515.39</u>           |
|                                                                                                  | Credit                  | <u>\$43,862.30</u>           |
| 2. Difference between preliminary trial balance totals:                                          |                         | <u>\$13,346.91</u>           |
| 3. Errors in trial balance:                                                                      |                         |                              |
| (a) Supplies debit balance was listed as \$99.79 instead of \$997.90 (slide).                    |                         |                              |
| (b) Notes Payable credit balance was listed as \$5,600.00 instead of \$6,500.00 (transposition). |                         |                              |
| (c) Tina Reid, Drawing debit balance of \$1,350.00 was listed as credit balance.                 |                         |                              |
| (d) Advertising Expense of \$275.00 was omitted.                                                 |                         |                              |
| 4. Errors in account balances:                                                                   |                         |                              |
| (a) Accounts Payable balance of \$1,077.50 was totaled as \$1,151.70.                            |                         |                              |
| 5. Errors in posting:                                                                            |                         |                              |
| (a) Prepaid Insurance entry of May 9 for \$144.00 was posted as \$14.40 (slide).                 |                         |                              |
| (b) Land entry of May 10 for \$12,000.00 was posted as \$1,200.00 (slide).                       |                         |                              |
| (c) Cash entry of May 30 for \$436.60 was posted as \$346.60 (transposition).                    |                         |                              |
| (d) Wages Expense entry of May 31 for \$1,390.00 was posted as \$1,930.00 (transposition).       |                         |                              |
| 6. May 31                                                                                        | Utilities Expense ..... | 53            120.00         |
|                                                                                                  | Cash.....               | 11                    120.00 |

Prob. 2–5A Concluded

7.

**HALLMARK ELECTRONIC REPAIR**  
**Unadjusted Trial Balance**  
**May 31, 20—**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	8,796.00	
Supplies .....	997.90	
Prepaid Insurance .....	395.50	
Land.....	26,625.00	
Notes Payable.....		6,500.00
Accounts Payable .....		1,077.50
Tina Reid, Capital .....		27,760.20
Tina Reid, Drawing.....	1,350.00	
Service Revenue.....		8,000.40
Wages Expense.....	2,518.60	
Rent Expense .....	1,540.00	
Utilities Expense .....	556.60	
Advertising Expense.....	275.00	
Miscellaneous Expense.....	283.50	
	<u>43,338.10</u>	<u>43,338.10</u>

Prob. 2-6A

1.

**YIN & YANG VIDEO**  
**Unadjusted Trial Balance**  
**January 31, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	13,500*	
Accounts Receivable .....	37,600	
Supplies .....	4,500	
Prepaid Insurance .....	6,400	
Equipment.....	108,000	
Notes Payable.....		36,000
Accounts Payable .....		11,100
Chea Wynn, Capital.....		71,900
Chea Wynn, Drawing.....	26,000	
Fees Earned.....		356,000
Wages Expense.....	204,000	
Rent Expense .....	41,700	
Advertising Expense.....	18,900	
Gas, Electricity, and Water Expense .....	11,340	
Miscellaneous Expense.....	3,060	
	<u>475,000</u>	<u>475,000</u>

\*\$19,000 – \$10,000 (a) + \$4,500 (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

**Prob. 2-1B**

1. and 2.

<b>Cash</b>			
(a)	20,000	(b)	2,500
(g)	4,175	(c)	5,000
		(e)	1,200
		(f)	2,400
		(h)	240
		(i)	2,500
		(j)	300
		(m)	1,500
		(n)	<u>410</u>
<b>Bal.</b>	<u>8,125</u>		

<b>Accounts Receivable</b>	
(l)	3,150

<b>Supplies</b>	
(e)	1,200

<b>Prepaid Insurance</b>	
(f)	2,400

<b>Automobiles</b>	
(c)	22,300

<b>Equipment</b>	
(d)	7,000

<b>Notes Payable</b>	
(j)	<u>300</u>
(c)	<u>17,300</u>
<b>Bal.</b>	<b>17,000</b>

<b>Accounts Payable</b>	
(i)	2,500
(d)	7,000
(k)	<u>800</u>
<b>Bal.</b>	<b>5,300</b>

<b>Brandy Corbin, Capital</b>	
(a)	20,000

<b>Professional Fees</b>	
(g)	4,175
(l)	<u>3,150</u>
<b>Bal.</b>	<b>7,325</b>

<b>Rent Expense</b>	
(b)	2,500

<b>Salary Expense</b>	
(m)	1,500

<b>Blueprint Expense</b>	
(k)	800

<b>Automobile Expense</b>	
(n)	410

<b>Miscellaneous Expense</b>	
(h)	240



Prob. 2-1B Concluded

3.

**BRANDY CORBIN, ARCHITECT**  
**Unadjusted Trial Balance**  
**July 31, 2010**

---

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	8,125	
Accounts Receivable .....	3,150	
Supplies .....	1,200	
Prepaid Insurance .....	2,400	
Automobiles.....	22,300	
Equipment.....	7,000	
Notes Payable.....		17,000
Accounts Payable .....		5,300
Brandy Corbin, Capital .....		20,000
Professional Fees .....		7,325
Rent Expense .....	2,500	
Salary Expense.....	1,500	
Blueprint Expense.....	800	
Automobile Expense.....	410	
Miscellaneous Expense .....	240	
	<u>49,625</u>	<u>49,625</u>

**Prob. 2–2B**

1.

(a)	Cash .....	25,000	
	Cheryl Newsome, Capital.....		25,000
(b)	Rent Expense .....	2,750	
	Cash.....		2,750
(c)	Supplies.....	950	
	Accounts Payable.....		950
(d)	Accounts Payable .....	400	
	Cash.....		400
(e)	Cash .....	18,100	
	Sales Commissions .....		18,100
(f)	Automobile Expense .....	1,000	
	Miscellaneous Expense .....	600	
	Cash.....		1,600
(g)	Office Salaries Expense .....	2,150	
	Cash.....		2,150
(h)	Supplies Expense .....	575	
	Supplies .....		575
(i)	Cheryl Newsome, Drawing.....	2,000	
	Cash.....		2,000

Prob. 2–2B Continued

2.

Cash	
(a) 25,000	(b) 2,750
(e) 18,100	(d) 400
	(f) 1,600
	(g) 2,150
	(i) <u>2,000</u>
Bal. 34,200	

Sales Commissions	
	(e) 18,100
Rent Expense	
(b) 2,750	

Supplies	
(c) <u>950</u>	(h) <u>575</u>
Bal. 375	

Office Salaries Expense	
(g) 2,150	

Accounts Payable	
(d) <u>400</u>	(c) <u>950</u>
	Bal. 550

Automobile Expense	
(f) 1,000	

Cheryl Newsome, Capital	
	(a) 25,000

Supplies Expense	
(h) 575	

Cheryl Newsome, Drawing	
(i) 2,000	

Miscellaneous Expense	
(f) 600	

3.

**TITUS REALTY**  
**Unadjusted Trial Balance**  
**August 31, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	34,200	
Supplies .....	375	
Accounts Payable .....		550
Cheryl Newsome, Capital .....		25,000
Cheryl Newsome, Drawing .....	2,000	
Sales Commissions .....		18,100
Rent Expense .....	2,750	
Office Salaries Expense .....	2,150	
Automobile Expense .....	1,000	
Supplies Expense .....	575	
Miscellaneous Expense .....	600	
	<u>43,650</u>	<u>43,650</u>

**Prob. 2–2B    Concluded**

4. a. \$18,100  
b. \$7,075 ( $\$2,150 + \$2,750 + \$1,000 + \$575 + \$600$ )  
c. \$11,025 ( $\$18,100 - \$7,075$ )

Prob. 2–3B

1.

JOURNAL

Pages 1 and 2

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
Apr. 1	Cash .....	11	15,000	
	Jose Guadalupe, Capital .....	31		15,000
2	Rent Expense .....	53	2,350	
	Cash .....	11		2,350
6	Equipment .....	16	10,000	
	Accounts Payable .....	22		10,000
8	Truck .....	18	21,000	
	Cash .....	11		2,000
	Notes Payable .....	21		19,000
10	Supplies .....	13	1,200	
	Cash .....	11		1,200
12	Cash .....	11	8,500	
	Fees Earned .....	41		8,500
15	Prepaid Insurance .....	14	1,800	
	Cash .....	11		1,800
23	Accounts Receivable .....	12	6,000	
	Fees Earned .....	41		6,000
24	Truck Expense .....	55	1,000	
	Accounts Payable .....	22		1,000
29	Utilities Expense .....	54	1,100	
	Cash .....	11		1,100
29	Miscellaneous Expense .....	59	500	
	Cash .....	11		500
30	Cash .....	11	3,500	
	Accounts Receivable .....	12		3,500

Prob. 2–3B Continued

JOURNAL

Pages 1 and 2

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
Apr. 30	Wages Expense.....	51	3,000	
	Cash.....	11		3,000
30	Accounts Payable .....	22	2,500	
	Cash.....	11		2,500
30	Jose Guadalupe, Drawing .....	32	1,750	
	Cash.....	11		1,750

2.

GENERAL LEDGER

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Apr. 1	.....	1	15,000		15,000	
2	.....	1		2,350	12,650	
8	.....	1		2,000	10,650	
10	.....	1		1,200	9,450	
12	.....	1	8,500		17,950	
15	.....	1		1,800	16,150	
29	.....	2		1,100	15,050	
29	.....	2		500	14,550	
30	.....	2	3,500		18,050	
30	.....	2		3,000	15,050	
30	.....	2		2,500	12,550	
30	.....	2		1,750	10,800	

Accounts Receivable

12

<b>2010</b>						
Apr. 23	.....	1	6,000		6,000	
30	.....	2		3,500	2,500	

**Prob. 2–3B Continued**

**Supplies** **13**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2010						
Apr. 10	.....	1	1,200	.....	1,200	.....

**Prepaid Insurance** **14**

2010						
Apr. 15	.....	1	1,800	.....	1,800	.....

**Equipment** **16**

2010						
Apr. 6	.....	1	10,000	.....	10,000	.....

**Truck** **18**

2010						
Apr. 8	.....	1	21,000	.....	21,000	.....

**Notes Payable** **21**

2010						
Apr. 8	.....	1	.....	19,000	.....	19,000

**Accounts Payable** **22**

2010						
Apr. 6	.....	1	.....	10,000	.....	10,000
24	.....	1	.....	1,000	.....	11,000
30	.....	2	2,500	.....	.....	8,500

**Jose Guadalupe, Capital** **31**

2010						
Apr. 1	.....	1	.....	15,000	.....	15,000

**Jose Guadalupe, Drawing** **32**

2010						
Apr. 30	.....	2	1,750	.....	1,750	.....

**Prob. 2–3B Continued**

**Fees Earned 41**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Apr. 12	.....	1	.....	8,500	.....	8,500
23	.....	1	.....	6,000	.....	14,500

**Wages Expense 51**

<b>2010</b>						
Apr. 30	.....	2	3,000	.....	3,000	.....

**Rent Expense 53**

<b>2010</b>						
Apr. 2	.....	1	2,350	.....	2,350	.....

**Utilities Expense 54**

<b>2010</b>						
Apr. 29	.....	2	1,100	.....	1,100	.....

**Truck Expense 55**

<b>2010</b>						
Apr. 24	.....	1	1,000	.....	1,000	.....

**Miscellaneous Expense 59**

<b>2010</b>						
Apr. 29	.....	2	500	.....	500	.....



Prob. 2–3B Concluded

3.

**LODGE DESIGNS**  
**Unadjusted Trial Balance**  
**April 30, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	10,800	
Accounts Receivable .....	2,500	
Supplies .....	1,200	
Prepaid Insurance .....	1,800	
Equipment.....	10,000	
Truck .....	21,000	
Notes Payable.....		19,000
Accounts Payable .....		8,500
Jose Guadalupe, Capital .....		15,000
Jose Guadalupe, Drawing .....	1,750	
Fees Earned.....		14,500
Wages Expense.....	3,000	
Rent Expense .....	2,350	
Utilities Expense .....	1,100	
Truck Expense.....	1,000	
Miscellaneous Expense .....	500	
	<u>57,000</u>	<u>57,000</u>

Prob. 2–4B

2. and 3.

JOURNAL

Pages 18 and 19

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
Nov. 1	Rent Expense .....	52	3,000	
	Cash .....	11		3,000
2	Office Supplies .....	14	1,000	
	Accounts Payable .....	21		1,000
5	Prepaid Insurance .....	13	2,400	
	Cash .....	11		2,400
10	Cash .....	11	25,000	
	Accounts Receivable .....	12		25,000
15	Land .....		16	90,000
	Cash .....	11		10,000
	Notes Payable .....	23		80,000
17	Accounts Payable .....	21	2,910	
	Cash .....	11		2,910
20	Accounts Payable .....	21	200	
	Office Supplies .....	14		200
23	Advertising Expense .....	53	1,250	
	Cash .....	11		1,250
27	Cash .....	11	400	
	Salary and Commission Expense ....	51		400
28	Automobile Expense .....	54	900	
	Cash .....	11		900
29	Miscellaneous Expense .....	59	450	
	Cash .....	11		450
30	Accounts Receivable .....	12	31,750	
	Fees Earned .....	41		31,750
30	Salary and Commission Expense .....	51	13,500	
	Cash .....	11		13,500
30	Maya Garmin, Drawing .....	32	1,000	
	Cash .....	11		1,000
30	Cash .....	11	2,000	
	Unearned Rent .....	22		2,000

Prob. 2–4B Continued

1. and 3.

**Cash** 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	13,150	.....
1	.....	18	.....	3,000	10,150	.....
5	.....	18	.....	2,400	7,750	.....
10	.....	18	25,000	.....	32,750	.....
15	.....	18	.....	10,000	22,750	.....
17	.....	18	.....	2,910	19,840	.....
23	.....	18	.....	1,250	18,590	.....
27	.....	19	400	.....	18,990	.....
28	.....	19	.....	900	18,090	.....
29	.....	19	.....	450	17,640	.....
30	.....	19	.....	13,500	4,140	.....
30	.....	19	.....	1,000	3,140	.....
30	.....	19	2,000	.....	5,140	.....

**Accounts Receivable** 12

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	33,750	.....
10	.....	18	.....	25,000	8,750	.....
30	.....	19	31,750	.....	40,500	.....

**Prepaid Insurance** 13

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	1,500	.....
5	.....	18	2,400	.....	3,900	.....

**Office Supplies** 14

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	900	.....
2	.....	18	1,000	.....	1,900	.....
20	.....	18	.....	200	1,700	.....

**Land** 16

<b>2010</b>						
Nov. 15	.....	18	90,000	.....	90,000	.....

**Prob. 2–4B Continued**

**Accounts Payable** **21**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	.....	6,510
2	.....	18	.....	1,000	.....	7,510
17	.....	18	2,910	.....	.....	4,600
20	.....	18	200	.....	.....	4,400

**Unearned Rent** **22**

<b>2010</b>						
Nov. 30	.....	19	.....	2,000	.....	2,000

**Notes Payable** **23**

<b>2010</b>						
Nov. 15	.....	18	.....	80,000	.....	80,000

**Maya Garmin, Capital** **31**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	.....	16,490

**Maya Garmin, Drawing** **32**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	1,000	.....
30	.....	19	1,000	.....	2,000	.....

**Fees Earned** **41**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	.....	130,000
30	.....	19	.....	31,750	.....	161,750

**Salary and Commission Expense** **51**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	74,100	.....
27	.....	19	.....	400	73,700	.....
30	.....	19	13,500	.....	87,200	.....

**Prob. 2-4B Continued**

**Rent Expense 52**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	15,000	.....
1	.....	18	3,000	.....	18,000	.....

**Advertising Expense 53**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	8,900	.....
23	.....	18	1,250	.....	10,150	.....

**Automobile Expense 54**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	2,750	.....
28	.....	19	900	.....	3,650	.....

**Miscellaneous Expense 59**

<b>2010</b>						
Nov. 1	Balance .....	✓	.....	.....	1,950	.....
29	.....	19	450	.....	2,400	.....

Prob. 2–4B Concluded

4.

**AMPERE REALTY**  
**Unadjusted Trial Balance**  
**November 30, 2010**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	5,140	
Accounts Receivable .....	40,500	
Prepaid Insurance .....	3,900	
Office Supplies .....	1,700	
Land.....	90,000	
Accounts Payable .....		4,400
Unearned Rent.....		2,000
Notes Payable.....		80,000
Maya Garmin, Capital.....		16,490
Maya Garmin, Drawing.....	2,000	
Fees Earned.....		161,750
Salary and Commission Expense .....	87,200	
Rent Expense .....	18,000	
Advertising Expense.....	10,150	
Automobile Expense.....	3,650	
Miscellaneous Expense.....	2,400	
	<u>264,640</u>	<u>264,640</u>

**Prob. 2–5B**

- |                                                                                                  |        |                    |
|--------------------------------------------------------------------------------------------------|--------|--------------------|
| 1. Totals of preliminary trial balance:                                                          | Debit  | <u>\$30,515.39</u> |
|                                                                                                  | Credit | <u>\$43,862.30</u> |
| 2. Difference between preliminary trial balance totals:                                          |        | <u>\$13,346.91</u> |
| 3. Errors in trial balance:                                                                      |        |                    |
| (a) Supplies debit balance was listed as \$99.79 instead of \$997.90 (slide).                    |        |                    |
| (b) Notes Payable credit balance was listed as \$5,600.00 instead of \$6,500.00 (transposition). |        |                    |
| (c) Tina Reid, Drawing debit balance of \$1,350.00 was listed as credit balance.                 |        |                    |
| (d) Advertising Expense of \$275.00 was omitted.                                                 |        |                    |
| 4. Errors in account balances:                                                                   |        |                    |
| (a) Accounts Payable balance of \$1,077.50 was totaled as \$1,151.70.                            |        |                    |
| 5. Errors in posting:                                                                            |        |                    |
| (a) Prepaid Insurance entry of May 9 for \$144.00 was posted as \$14.40 (slide).                 |        |                    |
| (b) Land entry of May 10 for \$12,000.00 was posted as \$1,200.00 (slide).                       |        |                    |
| (c) Cash entry of May 30 for \$436.60 was posted as \$346.60 (transposition).                    |        |                    |
| (d) Wages Expense entry of May 31 for \$1,390.00 was posted as \$1,930.00 (transposition).       |        |                    |
| 6. May 31 Advertising Expense.....                                                               |        |                    |
|                                                                                                  | 53     | 175.00             |
| Cash.....                                                                                        | 11     | 175.00             |

Prob. 2–5B Concluded

7.

**HALLMARK ELECTRONIC REPAIR**  
**Unadjusted Trial Balance**  
**May 31, 20—**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	8,741.00	
Supplies .....	997.90	
Prepaid Insurance .....	395.50	
Land.....	26,625.00	
Notes Payable.....		6,500.00
Accounts Payable .....		1,077.50
Tina Reid, Capital .....		27,760.20
Tina Reid, Drawing.....	1,350.00	
Service Revenue.....		8,000.40
Wages Expense.....	2,518.60	
Rent Expense .....	1,540.00	
Advertising Expense.....	450.00	
Utilities Expense .....	436.60	
Miscellaneous Expense.....	283.50	
	<u>43,338.10</u>	<u>43,338.10</u>



Prob. 2–6B

1.

**DAMASCUS CARPET  
Unadjusted Trial Balance  
August 31, 2010**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	11,200*	
Accounts Receivable .....	24,010	
Supplies .....	4,375	
Prepaid Insurance .....	2,150	
Equipment.....	98,000	
Notes Payable.....		58,800
Accounts Payable .....		15,400
Isaiah Betts, Capital .....		61,075
Isaiah Betts, Drawing.....	31,500	
Fees Earned.....		214,725
Wages Expense.....	122,500	
Rent Expense .....	29,050	
Advertising Expense.....	12,600	
Gas, Electricity, and Water Expense .....	12,075	
Miscellaneous Expense .....	<u>2,540</u>	
	<u>350,000</u>	<u>350,000</u>

\*\$8,650 + \$5,250 (a) – \$2,700 (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

## CONTINUING PROBLEM

2. and 3.

### JOURNAL

Page 1

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
July 1	Cash .....	11	2,500	
	Lee Chang, Capital .....	31		2,500
1	Office Rent Expense .....	51	2,000	
	Cash .....	11		2,000
1	Prepaid Insurance .....	15	2,700	
	Cash .....	11		2,700
2	Cash .....	11	1,350	
	Accounts Receivable .....	12		1,350
3	Cash .....	11	7,200	
	Unearned Revenue .....	23		7,200
3	Accounts Payable .....	21	250	
	Cash .....	11		250
4	Miscellaneous Expense .....	59	500	
	Cash .....	11		500
5	Office Equipment .....	17	5,000	
	Accounts Payable .....	21		5,000
8	Advertising Expense .....	55	200	
	Cash .....	11		200
11	Cash .....	11	800	
	Fees Earned .....	41		800
13	Equipment Rent Expense .....	52	600	
	Cash .....	11		600
14	Wages Expense .....	50	1,000	
	Cash .....	11		1,000

Continuing Problem    Continued

2. and 3.

JOURNAL

Page 2

Date	Description	Post. Ref.	Debit	Credit
<b>2010</b>				
July 16	Cash .....	11	1,750	
	Fees Earned .....	41		1,750
18	Supplies .....	14	680	
	Accounts Payable .....	21		680
21	Music Expense .....	54	420	
	Cash .....	11		420
22	Advertising Expense .....	55	800	
	Cash .....	11		800
23	Cash .....	11	750	
	Accounts Receivable .....	12	1,750	
	Fees Earned .....	41		2,500
27	Utilities Expense .....	53	560	
	Cash .....	11		560
28	Wages Expense .....	50	1,000	
	Cash .....	11		1,000
29	Miscellaneous Expense .....	59	150	
	Cash .....	11		150
30	Cash .....	11	400	
	Accounts Receivable .....	12	1,400	
	Fees Earned .....	41		1,800
31	Cash .....	11	2,800	
	Fees Earned .....	41		2,800
31	Music Expense .....	54	1,100	
	Cash .....	11		1,100
31	Lee Chang, Drawing .....	32	1,500	
	Cash .....	11		1,500

Continuing Problem Continued

1. and 3.

Cash

11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
July 1	Balance .....	✓			8,010	
1	.....	1	2,500		10,510	
1	.....	1		2,000	8,510	
1	.....	1		2,700	5,810	
2	.....	1	1,350		7,160	
3	.....	1	7,200		14,360	
3	.....	1		250	14,110	
4	.....	1		500	13,610	
8	.....	1		200	13,410	
11	.....	1	800		14,210	
13	.....	1		600	13,610	
14	.....	1		1,000	12,610	
16	.....	2	1,750		14,360	
21	.....	2		420	13,940	
22	.....	2		800	13,140	
23	.....	2	750		13,890	
27	.....	2		560	13,330	
28	.....	2		1,000	12,330	
29	.....	2		150	12,180	
30	.....	2	400		12,580	
31	.....	2	2,800		15,380	
31	.....	2		1,100	14,280	
31	.....	2		1,500	12,780	

Accounts Receivable

12

<b>2010</b>						
July 1	Balance .....	✓			1,350	
2	.....	1		1,350	—	—
23	.....	2	1,750		1,750	
30	.....	2	1,400		3,150	

Supplies

14

<b>2010</b>						
July 1	Balance .....	✓			170	
18	.....	2	680		850	

Prepaid Insurance

15

<b>2010</b>						
July 1	.....	1	2,700		2,700	

**Continuing Problem    Continued**

**Office Equipment** 17

Date	Item	Post. Ref.	Dr.	Cr.	Balance		
					Dr.	Cr.	
<b>2010</b>							
July 5	.....	1	5,000	.....	5,000	.....	

**Accumulated Depreciation—Office Equipment** 18

*This account is not used in Chapter 2.*

**Accounts Payable** 21

<b>2010</b>							
July 1	Balance .....	✓	.....	.....	.....	.....	250
3	.....	1	250	.....	—	—	
5	.....	1	.....	5,000	.....	5,000	
18	.....	2	.....	680	.....	5,680	

**Wages Payable** 22

*This account is not used in Chapter 2.*

**Unearned Revenue** 23

<b>2010</b>							
July 3	.....	1	.....	7,200	.....	7,200	

**Lee Chang, Capital** 31

<b>2010</b>							
July 1	Balance .....	✓	.....	.....	.....	8,000	
1	.....	1	.....	2,500	.....	10,500	

**Lee Chang, Drawing** 32

<b>2010</b>							
July 1	Balance .....	✓	.....	.....	200	.....	
31	.....	2	1,500	.....	1,700	.....	

**Income Summary** 33

*This account is not used in Chapter 2.*

**Fees Earned** 41

<b>2010</b>							
July 1	Balance .....	✓	.....	.....	.....	5,650	
11	.....	1	.....	800	.....	6,450	
16	.....	2	.....	1,750	.....	8,200	
23	.....	2	.....	2,500	.....	10,700	
30	.....	2	.....	1,800	.....	12,500	
31	.....	2	.....	2,800	.....	15,300	

**Continuing Problem    Continued**

**Wages Expense 50**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2010</b>						
July 1	Balance .....	✓	.....	.....	400	.....
14	.....	1	1,000	.....	1,400	.....
28	.....	2	1,000	.....	2,400	.....

**Office Rent Expense 51**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	750	.....
1	.....	1	2,000	.....	2,750	.....

**Equipment Rent Expense 52**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	500	.....
13	.....	1	600	.....	1,100	.....

**Utilities Expense 53**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	300	.....
27	.....	2	560	.....	860	.....

**Music Expense 54**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	1,290	.....
21	.....	2	420	.....	1,710	.....
31	.....	2	1,100	.....	2,810	.....

**Advertising Expense 55**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	600	.....
8	.....	1	200	.....	800	.....
22	.....	2	800	.....	1,600	.....

**Supplies Expense 56**

<b>2010</b>						
July 1	Balance .....	✓	.....	.....	180	.....

**Insurance Expense 57**

*This account is not used in Chapter 2.*

**Continuing Problem    Concluded**

**Depreciation Expense 58**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.

*This account is not used in Chapter 2.*

**Miscellaneous Expense 59**

2010						
Date	Item	Post. Ref.	Dr.	Cr.	Dr.	Cr.
July 1	Balance .....	✓			150	
4	.....	1	500		650	
29	.....	2	150		800	

4.

**MUSIC DEPOT  
Unadjusted Trial Balance  
July 31, 2010**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	12,780	
Accounts Receivable .....	3,150	
Supplies .....	850	
Prepaid Insurance .....	2,700	
Office Equipment .....	5,000	
Accounts Payable .....		5,680
Unearned Revenue.....		7,200
Lee Chang, Capital.....		10,500
Lee Chang, Drawing.....	1,700	
Fees Earned.....		15,300
Wages Expense.....	2,400	
Office Rent Expense .....	2,750	
Equipment Rent Expense .....	1,100	
Utilities Expense .....	860	
Music Expense .....	2,810	
Advertising Expense.....	1,600	
Supplies Expense .....	180	
Miscellaneous Expense.....	800	
	<u>38,680</u>	<u>38,680</u>

## SPECIAL ACTIVITIES

### SA 2-1

Acceptable ethical conduct requires that Hannah look for the difference. If Hannah cannot find the difference within a reasonable amount of time, she should confer with her supervisor as to what action should be taken so that the financial statements can be prepared by the 5 o'clock deadline. Hannah's responsibility to her employer is to act with integrity, objectivity, and due care, so that users of the financial statements will not be misled.

### SA 2-2

The following general journal entry should be used to record the receipt of tuition payments received in advance of classes:

Cash .....	XXXX	
Unearned Tuition Deposits.....		XXXX

Cash is an asset account, and Unearned Tuition Deposits is a liability account. As the classes are taught throughout the term, the unearned tuition deposits become earned revenue.

### SA 2-3

The journal is called the book of original entry. It provides a time-ordered history of the transactions that have occurred for the firm. This time-ordered history is very important because it allows one to trace ledger account balances back to the original transactions that created those balances. This is called an "audit trail." If the firm recorded transactions by posting ledgers directly, it would be nearly impossible to reconstruct actual transactions. The debits and credits would all be separated and accumulated into the ledger balances. Once the transactions become part of the ledger balances, the original transactions would be lost. That is, there would be no audit trail, and any errors that might occur in recording transactions would be almost impossible to trace. Thus, firms first record transaction debits and credits in a journal. These transactions are then posted to the ledger to update the account balances. The journal and ledger are linked using posting references. This allows an analyst to trace the transaction flow forward or backward, depending on the need.



## SA 2–4

1. The rules of debit and credit must be memorized. Loyd is correct in that the rules of debit and credit could be reversed as long as everyone accepted and abided by the rules. However, the important point is that everyone accepts the rules as the way in which transactions should be recorded. This generates uniformity across the accounting profession and reduces errors and confusion. Since the current rules of debit and credit have been used for centuries, Loyd should adapt to the current rules of debit and credit, rather than devise his own.

The primary reason that all accounts do not have the same rules for increases and decreases is for control of the recording process. The double-entry accounting system, which includes both (1) the rules of debit and credit and (2) the accounting equation, guarantees that (1) debits always equals credits and (2) assets always equals liabilities plus owner's equity. If all increases in the account were recorded by debits, then the control that debits always equals credits would be removed. In addition, the control that the normal balance of assets is a debit would also be removed. The accounting equation would still hold, but the control over recording transactions would be weakened.

Loyd is correct that we could call the left and right sides of an account different terms, such as "LE" or "RE." Again, centuries of tradition dictate the current terminology used. One might note, however, that in Latin, *debere* (debit) means left and *credere* (credit) means right.

2. The accounting system may be designed to capture information about the buying habits of various customers or vendors, such as the quantity normally ordered, average amount ordered, number of returns, etc. Thus, in a sense, there can be other "sides" of (information about) a transaction that are recorded by the accounting system. Such information would be viewed as supplemental to the basic double-entry accounting system.

SA 2–5

- a. Although the titles and numbers of accounts may differ, depending on how expenses are classified, the following accounts would be adequate for recording transaction data for Ace Caddy Service:

Balance Sheet Accounts		Income Statement Accounts	
	<u>1. Assets</u>		<u>4. Revenue</u>
11	Cash	41	Service Revenue
12	Accounts Receivable		
13	Supplies		<u>5. Expenses</u>
	<u>2. Liabilities</u>	51	Rent Expense
21	Accounts Payable	52	Supplies Expense
	<u>3. Owner's Equity</u>	53	Wages Expense
31	Cody Packwood, Capital	54	Utilities Expense
32	Cody Packwood, Drawing	55	Miscellaneous Expense

b.

**ACE CADDY SERVICE**  
**Income Statement**  
**For Month Ended June 30, 2010**

Service revenue.....		\$6,200
Expenses:		
Rent expense.....	\$2,600	
Supplies expense.....	1,225	
Wages expense .....	450	
Utilities expense.....	140	
Miscellaneous expense .....	<u>150</u>	
Total expenses .....		<u>4,565</u>
Net income.....		<u>\$1,635</u>

*Note to Instructors:* Students may have prepared slightly different income statements, depending upon the titles of the major expense classifications chosen. Regardless of the classification of expenses, however, the total sales, total expenses, and net income should be as presented above.

T accounts are not required for the preparation of the income statement of Ace Caddy Service. The following presentation illustrates one solution using T accounts. Alternative solutions are possible if students used different accounts. In presenting the following T account solution, instructors may wish to emphasize the advantages of using T accounts (or a journal and four-column accounts) when a large number of transactions must be recorded.

SA 2-5 Continued

Cash		11	
2010		2010	
June 1	2,500	June 1	600
15	2,350	2	750
30	2,650	3	500
30	800	17	500
		20	1,500
		28	150
		30	140
		30	<u>450</u>
Bal.	<u>3,710</u>		

Service Revenue		41	
2010		2010	
June 15	2,350	June 15	2,350
25	1,200	25	1,200
30	<u>2,650</u>	30	<u>2,650</u>
Bal.	6,200	Bal.	6,200

Rent Expense		51	
2010		2010	
June 1	600	June 1	600
3	<u>2,000</u>	3	<u>2,000</u>
Bal.	2,600	Bal.	2,600

Accounts Receivable		12	
2010		2010	
June 25	<u>1,200</u>	June 30	<u>800</u>
Bal.	400		

Supplies Expense		52	
2010		2010	
June 30	1,225	June 30	1,225

Supplies		13	
2010		2010	
June 2	750	June 30	1,225
7	500		
22	<u>400</u>		
Bal.	425		

Wages Expense		53	
2010		2010	
June 30	450	June 30	450

Utilities Expense		54	
2010		2010	
June 30	140	June 30	140

Accounts Payable		21	
2010		2010	
June 17	500	June 3	1,500
20	1,500	7	500
		22	<u>400</u>
		Bal.	400

Miscellaneous Expense		55	
2010		2010	
June 28	150	June 28	150

Cody Packwood, Capital		31	
2010		2010	
June 1	2,500	June 1	2,500

**SA 2–5 Concluded**

c. **\$3,710, computed in the following manner:**

<b>Cash receipts:</b>		
Initial investment.....	\$2,500	
Cash sales .....	5,000	
Collections on accounts .....	<u>800</u>	
Total cash receipts during June.....		<b>\$8,300</b>
<b>Cash disbursements:</b>		
Rent expense .....	\$2,600	
Supplies purchased for cash.....	750	
Wages expense.....	450	
Payment for supplies on account.....	500	
Utilities expense .....	140	
Miscellaneous expense.....	<u>150</u>	
Total cash disbursements during June .....		<u><b>4,590</b></u>
Cash on hand according to records.....		<u><b>\$3,710*</b></u>

\*If the student used T accounts in completing part (b), or this part, this amount (\$3,710) should agree with the balance of the cash account.

d. The difference of \$110 between the cash on hand according to records (\$3,710) and the cash on hand according to the count (\$3,600) could be due to many factors, including errors in the record keeping and withdrawals made by Cody.

**SA 2–6**

**Note to Instructors:** The purpose of this activity is to familiarize students with the job opportunities available in accounting or in fields that require (or prefer) the employee to have some knowledge of accounting.