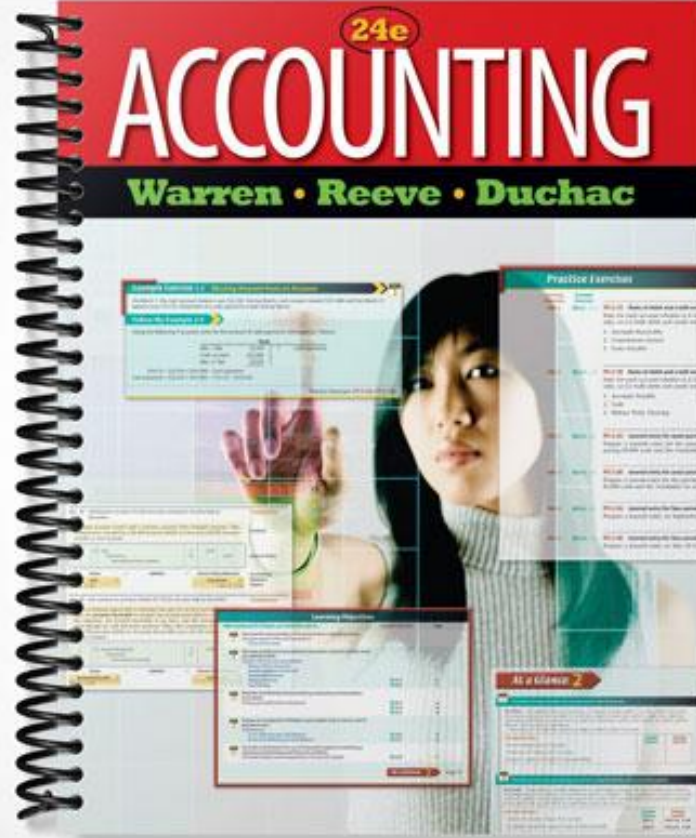
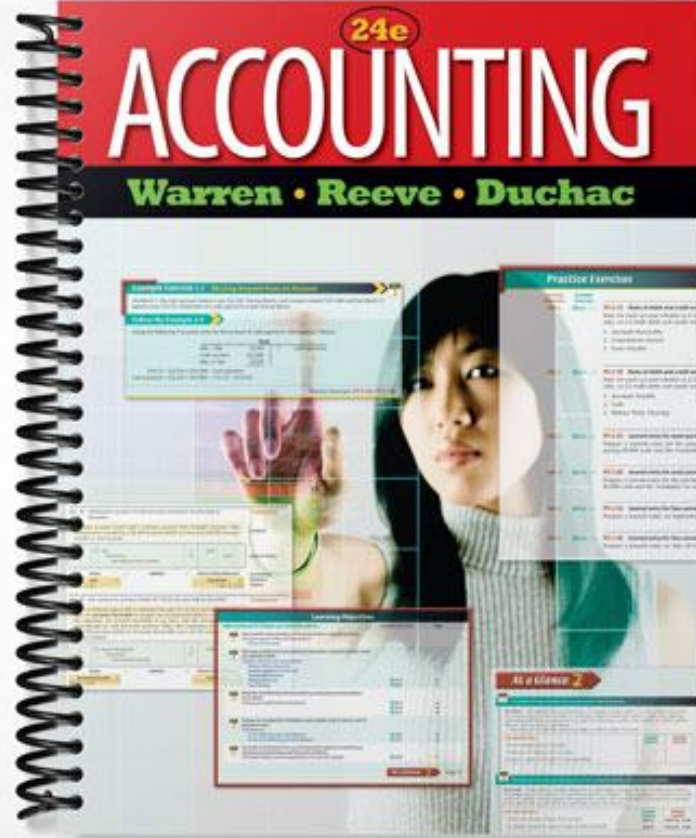


# SOLUTIONS MANUAL



# SOLUTIONS MANUAL



# CHAPTER 2

## ANALYZING TRANSACTIONS

### DISCUSSION QUESTIONS

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.
  - a. Assuming no errors have occurred, the credit balance in the cash account resulted from drawing checks for \$3,190 in excess of the amount of cash on deposit.
  - b. The \$3,190 credit balance in the cash account as of December 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.
4.
  - a. The revenue was earned in February.
  - b. (1) Debit Accounts Receivable and credit Fees Earned or another appropriately titled revenue account in February.  
(2) Debit Cash and credit Accounts Receivable in March.
5. 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.
6. The listing of \$2,174 is a slide; the listing of \$5,400 is a transposition.
7.
  - 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 \$1,800.
8.
  - 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 \$9,000, and net income would be understated by \$9,000. On the statement of owner's equity, the beginning and ending capital would be correct. However, net income and withdrawals would be understated by \$9,000. These understatements offset one another, and, thus, ending owner's equity is correct. The balance sheet is not affected by the error.
9.
  - a. The equality of the trial balance would not be affected.
  - b. On the income statement, revenues (fees earned) would be overstated by \$200,000, and net income would be overstated by \$200,000. On the statement of owner's equity, the beginning capital would be correct. However, net income and ending capital would be overstated by \$200,000. The balance sheet total assets is correct. However, liabilities (notes payable) is understated by \$200,000, and owner's equity is overstated by \$200,000. The understatement of liabilities is offset by the overstatement of owner's equity, and, thus, total liabilities and owner's equity is correct.
10.
  - a. From the viewpoint of Village Storage, the balance of the checking account represents an asset.
  - b. From the viewpoint of Camino Savings Bank, the balance of the checking account represents a liability.

## PRACTICE EXERCISES

### PE 2–1A

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. Credit entries only, normal credit balance
6. Debit entries only, normal debit balance

### PE 2–1B

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 only, normal debit balance
6. Credit entries only, normal credit balance

### PE 2–2A

Mar. 4	Office Equipment .....	27,150	
	Cash.....		5,000
	Accounts Payable .....		22,150

### PE 2–2B

Aug. 7	Office Supplies.....	4,000	
	Cash.....		1,000
	Accounts Payable.....		3,000

**PE 2–3A**

Sept. 6	Accounts Receivable.....	8,000	
	Fees Earned.....		8,000

**PE 2–3B**

May 29	Cash.....	5,000	
	Fees Earned.....		5,000

**PE 2–4A**

Dec. 22	Jason Von Pentz, Drawing.....	10,000	
	Cash.....		10,000

**PE 2–4B**

Feb. 3	Allene Collette, Drawing.....	7,500	
	Cash.....		7,500

**PE 2–5A**

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

Cash			
June 1 Bal.	17,200	178,300	Cash payments
Cash receipts	?	_____	
June 30 Bal.	23,900		

$$\$23,900 = \$17,200 + \text{Cash receipts} - \$178,300$$

$$\text{Cash receipts} = \$23,900 + \$178,300 - \$17,200 = \$185,000$$

**PE 2–5B**

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

Supplies	
Oct. 1 Bal.	900
Supplies purchases	<u>2,750</u>
Oct. 31 Bal.	1,025
	?     Supplies expense

$$\$1,025 = \$900 + \$2,750 - \text{Supplies expense}$$

$$\text{Supplies expense} = \$900 + \$2,750 - \$1,025 = \$2,625$$

**PE 2–6A**

- a. The totals are unequal. The credit total is higher by \$3,600 (\$8,400 – \$4,800).
- b. The totals are equal since both the debit and credit entries were journalized and posted for \$381.
- c. The totals are unequal. The debit total is higher by \$2,400 (\$1,200 + \$1,200).

**PE 2–6B**

- a. The totals are equal since both the debit and credit entries were journalized and posted for \$15,000.
- b. The totals are unequal. The credit total is higher by \$4,680 (\$5,200 – \$520).
- c. The totals are unequal. The debit total is higher by \$450 (\$1,720 – \$1,270).

**PE 2–7A**

a. Advertising Expense .....	2,700	
Miscellaneous Expense .....		2,700
Advertising Expense .....	2,700	
Cash .....		2,700

**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 .....	5,400	
Miscellaneous Expense .....		2,700
Cash .....		2,700

b. Accounts Payable .....	3,950	
Accounts Receivable .....		3,950

**PE 2–7B**

a. Cash .....	5,800	
Accounts Receivable .....		5,800
b. Supplies .....	1,800	
Office Equipment .....		1,800
Supplies .....	1,800	
Accounts Payable .....		1,800

**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 .....	3,600	
Office Equipment .....		1,800
Accounts Payable .....		1,800

PE 2–8A

**Boyer Company  
Income Statements  
For Years Ended December 31**

	<u>2012</u>	<u>2011</u>	Increase / (Decrease)	
			<u>Amount</u>	<u>Percent</u>
Fees earned .....	\$315,000	\$300,000	\$15,000	5.0%
Operating expenses .....	<u>176,400</u>	<u>180,000</u>	<u>(3,600)</u>	(2.0)
Net income .....	<u>\$138,600</u>	<u>\$120,000</u>	<u>\$18,600</u>	15.5

PE 2–8B

**Hitt Company  
Income Statements  
For Years Ended December 31**

	<u>2012</u>	<u>2011</u>	Increase / (Decrease)	
			<u>Amount</u>	<u>Percent</u>
Fees earned .....	\$937,500	\$750,000	\$187,500	25.0%
Operating expenses .....	<u>612,500</u>	<u>500,000</u>	<u>112,500</u>	22.5
Net income .....	<u>\$325,000</u>	<u>\$250,000</u>	<u>\$ 75,000</u>	30.0



## 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 (Expense) <sup>c</sup>
Air Traffic Liability <sup>b</sup>	Landing Fees (Expense) <sup>d</sup>
<u>Owner's Equity</u>	
None	

<sup>a</sup>Advance payments (deposits) on aircraft to be delivered in the future

<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
Jean Cartier, Capital	31
Jean Cartier, Drawing	32
Land	13
Miscellaneous Expense	53
Supplies Expense	52
Wages Expense	51

**Note:** Expense accounts are normally listed in order of magnitude from largest to smallest with Miscellaneous Expense always listed last. Since Wages Expense is normally larger than Supplies Expense, Wages Expense is listed as account 51 and Supplies Expense as account 52.

**Ex. 2–3**

Balance Sheet Accounts		Income Statement Accounts	
	<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	Jan Pulver, Capital		
32	Jan Pulver, Drawing		

*Note:* The order of some of the accounts within the major classifications is somewhat arbitrary, as in accounts 13–14, accounts 21–22, 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. debit  | g. debit  |
| b. debit  | h. credit |
| c. debit  | i. debit  |
| d. credit | j. debit  |
| e. debit  | k. credit |
| f. credit | l. debit  |

**Ex. 2–5**

- debit and credit (c)
- debit and credit (c)
- debit and credit (c)
- credit only (b)
- debit only (a)
- debit only (a)
- debit only (a)

**Ex. 2–6**

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

**Ex. 2–7**

2012

Oct. 1	Rent Expense .....	2,000	
	Cash.....		2,000
2	Advertising Expense .....	900	
	Cash.....		900
5	Supplies.....	1,300	
	Cash.....		1,300
6	Office Equipment .....	16,000	
	Accounts Payable.....		16,000
10	Cash.....	6,700	
	Accounts Receivable .....		6,700
15	Accounts Payable .....	1,200	
	Cash.....		1,200
27	Miscellaneous Expense .....	600	
	Cash.....		600
30	Utilities Expense .....	180	
	Cash.....		180
31	Accounts Receivable.....	26,800	
	Fees Earned .....		26,800
31	Utilities Expense .....	400	
	Cash.....		400
31	Andee Freese, Drawing .....	3,000	
	Cash.....		3,000

**Ex. 2–8**

a.

		<b>JOURNAL</b>		<b>Page 19</b>	
Date	Description	Post. Ref.	Debit	Credit	
<b>2012</b>					
Feb. 3	Supplies .....	15	3,250		
	Accounts Payable .....	21		3,250	
	Purchased supplies on account.				

b., c., d.

				<b>Supplies</b>		<b>15</b>
Date	Item	Post. Ref.	Dr.	Cr.	<u>Balance</u>	
					Dr.	Cr.
<b>2012</b>						
Feb. 1	Balance .....	✓	.....	.....	975	.....
3	.....	19	3,250	.....	4,225	.....

				<b>Accounts Payable</b>		<b>21</b>
Date	Item	Post. Ref.	Dr.	Cr.	<u>Balance</u>	
					Dr.	Cr.
<b>2012</b>						
Feb. 1	Balance .....	✓	.....	.....	.....	13,150
3	.....	19	.....	3,250	.....	16,400

e. Yes, the rules of debit and credit apply to all companies.

**Ex. 2–9**

a.

(1)	Accounts Receivable.....	35,700	
	Fees Earned .....		35,700
(2)	Supplies.....	2,000	
	Accounts Payable.....		2,000
(3)	Cash.....	26,150	
	Accounts Receivable .....		26,150
(4)	Accounts Payable .....	800	
	Cash.....		800

**Ex. 2–9 (Concluded)**

b.

<b>Cash</b>		<b>Accounts Payable</b>	
(3)	26,150	(4)	800
<b>Supplies</b>		<b>Fees Earned</b>	
(2)	2,000	(1)	35,700
<b>Accounts Receivable</b>			
(1)	35,700	(3)	26,150

c. No. A credit balance in Accounts Receivable could occur if a customer over paid his or her account. Regardless, the credit balance should be investigated to verify that an error has not occurred.

**Ex. 2–10**

- a. The increase of \$110,000 (\$400,000 – \$290,000) in the cash account does not indicate net income of that amount. Net income is the net change in all assets and liabilities from operating (revenue and expense) transactions.
- b. \$75,000 (\$185,000 – \$110,000)

**Ex. 2–11**

a.

<b>Accounts Payable</b>							
<u>90,000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Oct. 1</td> <td style="text-align: right; padding-right: 10px;">X</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="text-align: right; padding-right: 10px;"><u>125,000</u></td> </tr> <tr> <td style="padding: 5px;">Oct. 31</td> <td style="text-align: right; padding-right: 10px;">40,000</td> </tr> </table>	Oct. 1	X		<u>125,000</u>	Oct. 31	40,000
Oct. 1	X						
	<u>125,000</u>						
Oct. 31	40,000						

$$X + \$125,000 - \$90,000 = \$40,000$$

$$X = \$40,000 + \$90,000 - \$125,000$$

$$X = \$5,000$$

**Ex. 2–11 (Concluded)**

b.

<u>Accounts Receivable</u>		
May 1	25,000	240,000
	<u>    X</u>	<u>          </u>
May 31	36,000	

$$\$25,000 + X - \$240,000 = \$36,000$$

$$X = \$36,000 + \$240,000 - \$25,000$$

$$X = \$251,000$$

c.

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

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

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

$$X = \$284,175$$

**Ex. 2–12**

- a. Debit (negative) balance of \$12,000 ( $\$125,000 - \$7,000 - \$130,000$ ). This negative balance means that the liabilities of Cikan’s business exceed the assets.
- b. Yes. The balance sheet prepared at December 31 will balance, with Brenda Cikan, Capital, being reported in the owner’s equity section as a negative \$12,000.

**Ex. 2–13**

a. and b.

Transaction	Account Debited		Account Credited	
	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. 2–14**

(1)	Cash.....	40,000	
	Mickey O'Dell, Capital .....		40,000
(2)	Supplies.....	2,000	
	Cash.....		2,000
(3)	Equipment .....	18,000	
	Accounts Payable.....		14,400
	Cash.....		3,600
(4)	Operating Expenses .....	2,700	
	Cash.....		2,700
(5)	Accounts Receivable.....	18,500	
	Service Revenue.....		18,500
(6)	Accounts Payable .....	9,000	
	Cash.....		9,000
(7)	Cash.....	10,000	
	Accounts Receivable .....		10,000
(8)	Operating Expenses .....	1,050	
	Supplies .....		1,050
(9)	Mickey O'Dell, Drawing .....	4,000	
	Cash.....		4,000

Ex. 2–15

a.

**SOUTHWEST TOURS CO.**  
**Unadjusted Trial Balance**  
**May 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	28,700	
Accounts Receivable .....	8,500	
Supplies .....	950	
Equipment.....	18,000	
Accounts Payable .....		5,400
Mickey O'Dell, Capital .....		40,000
Mickey O'Dell, Drawing.....	4,000	
Service Revenue.....		18,500
Operating Expenses .....	<u>3,750</u>	
	<u>63,900</u>	<u>63,900</u>

b. Net income, \$14,750 (\$18,500 – \$3,750)



Ex. 2–16

**DIVA CO.**  
**Unadjusted Trial Balance**  
**July 31, 2012**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	15,000	
Accounts Receivable .....	40,000	
Supplies .....	4,000	
Prepaid Insurance .....	6,400	
Land.....	125,000	
Accounts Payable .....		28,000
Unearned Rent.....		13,500
Notes Payable.....		50,000
Cheryl Sievert, Capital .....		49,900
Cheryl Sievert, Drawing .....	25,000	
Fees Earned.....		350,000
Wages Expense.....	195,000	
Rent Expense .....	36,000	
Utilities Expense .....	18,000	
Supplies Expense .....	9,000	
Insurance Expense .....	6,000	
Miscellaneous Expense.....	12,000	
	<u>491,400</u>	<u>491,400</u>

Ex. 2–17

Inequality of trial balance totals would be caused by errors described in (c) and (e). For (c), the debit total would exceed the credit total by \$2,400 (\$1,200 + \$1,200). For (e), the credit total would exceed the debit total by \$9,000 (\$10,000 – \$1,000).

Errors (b), (d), and (e) would require correcting entries.

Ex. 2–18

**SEATS-FOR-YOU CO.**  
**Unadjusted Trial Balance**  
**March 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	15,500	
Accounts Receivable .....	25,800	
Prepaid Insurance .....	9,000	
Equipment.....	75,000	
Accounts Payable .....		12,900
Unearned Rent.....		5,400
Gina Ness, Capital.....		81,700
Gina Ness, Drawing .....	13,000	
Service Revenue.....		125,000
Wages Expense.....	60,000	
Advertising Expense .....	11,300	
Miscellaneous Expense .....	<u>15,400</u>	
	<u>225,000</u>	<u>225,000</u>

Ex. 2–19

<u>Error</u>	<u>(a) Out of Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Total</u>
1.	yes	\$7,150	debit
2.	no	—	—
3.	yes	2,000	credit
4.	yes	800	debit
5.	no	—	—
6.	yes	270	credit
7.	yes	180	credit

**Ex. 2–20**

1. The Debit column total is added incorrectly. The sum is \$583,500 rather than \$916,500.
2. The trial balance should be dated “August 31, 2012,” not “For the Month Ending August 31, 2012.”
3. The Accounts Receivable balance should be in the Debit column.
4. The Accounts Payable balance should be in the Credit column.
5. The Ken Frye, 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:

**BLUEFIN CO.  
Unadjusted Trial Balance  
August 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	45,000	
Accounts Receivable .....	98,400	
Prepaid Insurance .....	21,600	
Equipment.....	300,000	
Accounts Payable .....		11,100
Salaries Payable.....		7,500
Ken Frye, Capital .....		259,200
Ken Frye, Drawing.....	36,000	
Service Revenue.....		472,200
Salary Expense.....	196,860	
Advertising Expense.....	43,200	
Miscellaneous Expense .....	8,940	
	<u>750,000</u>	<u>750,000</u>

**Ex. 2–21**

a. Prepaid Rent .....	12,500	
Cash.....		12,500
b. Trent Benedict, Drawing .....	7,500	
Wages Expense .....		7,500

**Ex. 2–22**

a. Cash.....	25,950	
Fees Earned .....		12,975
Accounts Receivable.....		12,975
b. Accounts Payable.....	3,200*	
Supplies Expense .....		3,200
Supplies .....	3,200	
Cash.....		3,200

\*The first entry reverses the original entry. The second entry is the entry that should have been made initially.

**Ex. 2–23**

- a. 1. Net sales: \$1,581 million increase (\$64,948 – \$63,367)  
     2.5% increase ( $\$1,581 \div \$63,367$ )
2. Total operating expenses: \$2,451 million increase (\$60,546 – \$58,095)  
     4.2% increase ( $\$2,451 \div \$58,095$ )
- b. During 2009, the percentage increase in total operating expenses (4.2%) is more than the percentage increase in net sales (2.5%), 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)

**Ex. 2–24 (Concluded)**

- 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	
(a) 30,000	(b) 3,500
(g) 8,150	(c) 5,000
	(e) 1,200
	(f) 2,400
	(h) 300
	(i) 2,500
	(j) 400
	(m) 1,800
	(n) <u>600</u>
Bal. 20,450	

Accounts Receivable	
(l) 12,900	

Supplies	
(e) 1,200	

Prepaid Insurance	
(f) 2,400	

Automobiles	
(c) 25,000	

Equipment	
(d) 9,000	

Notes Payable	
(j) <u>400</u>	(c) <u>20,000</u>
	Bal. 19,600

Accounts Payable	
(i) 2,500	(d) 9,000
	(k) <u>1,200</u>
	Bal. 7,700

Leila Durkin, Capital	
	(a) 30,000

Professional Fees	
	(g) 8,150
	(l) <u>12,900</u>
	Bal. 21,050

Rent Expense	
(b) 3,500	

Salary Expense	
(m) 1,800	

Blueprint Expense	
(k) 1,200	

Automobile Expense	
(n) 600	

Miscellaneous Expense	
(h) 300	

Prob. 2–1A (Concluded)

3.

**LEILA DURKIN, ARCHITECT**  
**Unadjusted Trial Balance**  
**May 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	20,450	
Accounts Receivable.....	12,900	
Supplies .....	1,200	
Prepaid Insurance .....	2,400	
Automobiles.....	25,000	
Equipment.....	9,000	
Notes Payable.....		19,600
Accounts Payable.....		7,700
Leila Durkin, Capital.....		30,000
Professional Fees.....		21,050
Rent Expense.....	3,500	
Salary Expense .....	1,800	
Blueprint Expense .....	1,200	
Automobile Expense .....	600	
Miscellaneous Expense .....	300	
	<u>78,350</u>	<u>78,350</u>

4. Net income, \$13,650 (\$21,050 – \$3,500 – \$1,800 – \$1,200 – \$600 – \$300)

**Prob. 2–2A**

1.

(a)	Cash .....	20,000	
	Faith Schultz, Capital .....		20,000
(b)	Rent Expense .....	3,750	
	Cash.....		3,750
(c)	Supplies.....	1,100	
	Accounts Payable.....		1,100
(d)	Accounts Payable .....	400	
	Cash.....		400
(e)	Cash.....	16,750	
	Sales Commissions .....		16,750
(f)	Automobile Expense .....	1,000	
	Miscellaneous Expense .....	700	
	Cash.....		1,700
(g)	Office Salaries Expense .....	2,150	
	Cash.....		2,150
(h)	Supplies Expense .....	600	
	Supplies .....		600
(i)	Faith Schultz, Drawing .....	1,000	
	Cash.....		1,000



Prob. 2–2A (Continued)

2.

Cash	
(a) 20,000	(b) 3,750
(e) 16,750	(d) 400
	(f) 1,700
	(g) 2,150
	(i) <u>1,000</u>
Bal. <u>27,750</u>	

Sales Commissions	
	(e) 16,750
Rent Expense	
(b) 3,750	

Supplies	
(c) <u>1,100</u>	(h) <u>600</u>
Bal. 500	

Office Salaries Expense	
(g) 2,150	

Accounts Payable	
(d) <u>400</u>	(c) <u>1,100</u>
	Bal. 700

Automobile Expense	
(f) 1,000	

Faith Schultz, Capital	
	(a) 20,000

Supplies Expense	
(h) 600	

Faith Schultz, Drawing	
(i) 1,000	

Miscellaneous Expense	
(f) 700	

3.

**HEAVENLY REALTY  
Unadjusted Trial Balance  
October 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	27,750	
Supplies .....	500	
Accounts Payable .....		700
Faith Schultz, Capital .....		20,000
Faith Schultz, Drawing.....	1,000	
Sales Commissions .....		16,750
Rent Expense .....	3,750	
Office Salaries Expense .....	2,150	
Automobile Expense.....	1,000	
Supplies Expense .....	600	
Miscellaneous Expense.....	700	
	<u>37,450</u>	<u>37,450</u>

**Prob. 2–2A (Concluded)**

4. a. \$16,750  
b. \$8,200 ( $\$3,750 + \$2,150 + \$1,000 + \$600 + \$700$ )  
c. \$8,550 ( $\$16,750 - \$8,200$ )
5. \$7,550 ( $\$8,550 - \$1,000$ ) increase in owner's equity

Prob. 2–3A

1.

JOURNAL					Page 1
Date	Description	Post. Ref.	Debit	Credit	
<b>2012</b>					
Apr. 1	Cash .....	11	17,000		
	Kathleen Alvarez, Capital .....	31		17,000	
2	Rent Expense .....	53	3,400		
	Cash .....	11		3,400	
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	1,800		
	Cash .....	11		1,800	
12	Cash .....	11	13,000		
	Fees Earned .....	41		13,000	
15	Prepaid Insurance .....	14	1,800		
	Cash .....	11		1,800	
23	Accounts Receivable .....	12	9,000		
	Fees Earned .....	41		9,000	
24	Truck Expense .....	55	1,000		
	Accounts Payable .....	22		1,000	

JOURNAL					Page 2
Date	Description	Post. Ref.	Debit	Credit	
<b>2012</b>					
Apr. 29	Utilities Expense .....	54	1,500		
	Cash .....	11		1,500	
29	Miscellaneous Expense .....	59	750		
	Cash .....	11		750	
30	Cash .....	11	7,800		
	Accounts Receivable .....	12		7,800	

Prob. 2–3A (Continued)

JOURNAL

Page 2

Date	Description	Post. Ref.	Debit	Credit
30	Wages Expense.....	51	4,000	
	Cash.....	11		4,000
30	Accounts Payable .....	22	2,500	
	Cash.....	11		2,500
30	Kathleen Alvarez, Drawing.....	32	2,000	
	Cash.....	11		2,000

2.

GENERAL LEDGER

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
Apr. 1	.....	1	17,000		17,000	
2	.....	1		3,400	13,600	
8	.....	1		2,000	11,600	
10	.....	1		1,800	9,800	
12	.....	1	13,000		22,800	
15	.....	1		1,800	21,000	
29	.....	2		1,500	19,500	
29	.....	2		750	18,750	
30	.....	2	7,800		26,550	
30	.....	2		4,000	22,550	
30	.....	2		2,500	20,050	
30	.....	2		2,000	18,050	

Accounts Receivable 12

<b>2012</b>						
Apr. 23	.....	1	9,000		9,000	
30	.....	2		7,800	1,200	

**Prob. 2–3A (Continued)**

**Supplies 13**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
Apr. 10	.....	1	1,800	.....	1,800	.....

**Prepaid Insurance 14**

2012						
Apr. 15	.....	1	1,800	.....	1,800	.....

**Equipment 16**

2012						
Apr. 6	.....	1	10,000	.....	10,000	.....

**Truck 18**

2012						
Apr. 8	.....	1	21,000	.....	21,000	.....

**Notes Payable 21**

2012						
Apr. 8	.....	1	.....	19,000	.....	19,000

**Accounts Payable 22**

2012						
Apr. 6	.....	1	.....	10,000	.....	10,000
24	.....	1	.....	1,000	.....	11,000
30	.....	2	2,500	.....	.....	8,500

**Kathleen Alvarez, Capital 31**

2012						
Apr. 1	.....	1	.....	17,000	.....	17,000

**Kathleen Alvarez, Drawing 32**

2012						
Apr. 30	.....	2	2,000	.....	2,000	.....

**Prob. 2–3A (Continued)**

**Fees Earned 41**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
Apr. 12	.....	1	.....	13,000	.....	13,000
23	.....	1	.....	9,000	.....	22,000

**Wages Expense 51**

<b>2012</b>						
Apr. 30	.....	2	4,000	.....	4,000	.....

**Rent Expense 53**

<b>2012</b>						
Apr. 2	.....	1	3,400	.....	3,400	.....

**Utilities Expense 54**

<b>2012</b>						
Apr. 29	.....	2	1,500	.....	1,500	.....

**Truck Expense 55**

<b>2012</b>						
Apr. 24	.....	1	1,000	.....	1,000	.....

**Miscellaneous Expense 59**

<b>2012</b>						
Apr. 29	.....	2	750	.....	750	.....

Prob. 2–3A (Concluded)

3.

**INTREX DESIGNS**  
**Unadjusted Trial Balance**  
**April 30, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	18,050	
Accounts Receivable.....	1,200	
Supplies .....	1,800	
Prepaid Insurance .....	1,800	
Equipment.....	10,000	
Truck.....	21,000	
Notes Payable .....		19,000
Accounts Payable.....		8,500
Kathleen Alvarez, Capital.....		17,000
Kathleen Alvarez, Drawing.....	2,000	
Fees Earned .....		22,000
Wages Expense .....	4,000	
Rent Expense.....	3,400	
Utilities Expense.....	1,500	
Truck Expense .....	1,000	
Miscellaneous Expense .....	750	
	<u>66,500</u>	<u>66,500</u>

4. \$11,350 (\$22,000 – \$4,000 – \$3,400 – \$1,500 – \$1,000 – \$750)

5. As will be discussed in Chapter 3, various adjustments are normally required at the end of the accounting period. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required.

*Note to Instructors:* At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2–4A

2. and 3.

JOURNAL				Page 18
Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
Nov. 1	Rent Expense .....	52	5,000	
	Cash .....	11		5,000
2	Office Supplies .....	14	1,300	
	Accounts Payable .....	21		1,300
5	Prepaid Insurance .....	13	3,600	
	Cash .....	11		3,600
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	4,500	
	Cash .....	11		4,500
20	Accounts Payable .....	21	200	
	Office Supplies .....	14		200
23	Advertising Expense .....	53	2,000	
	Cash .....	11		2,000

JOURNAL				Page 19
Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
Nov. 27	Cash .....	11	1,000	
	Salary and Commission Expense ....	51		1,000
28	Automobile Expense .....	54	1,500	
	Cash .....	11		1,500
29	Miscellaneous Expense .....	59	450	
	Cash .....	11		450
30	Accounts Receivable .....	12	30,000	
	Fees Earned .....	41		30,000



JOURNAL

Date	Description	Post. Ref.	Debit	Credit
30	Salary and Commission Expense.....	51	7,500	
	Cash.....	11		7,500
30	Ian Rogstad, Drawing .....	32	1,000	
	Cash.....	11		1,000
30	Cash .....	11	3,000	
	Unearned Rent .....	22		3,000

1. and 3.

GENERAL LEDGER

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
Nov. 1	Balance .....	✓			13,150	
1	.....	18		5,000	8,150	
5	.....	18		3,600	4,550	
10	.....	18	25,000		29,550	
15	.....	18		10,000	19,550	
17	.....	18		4,500	15,050	
23	.....	18		2,000	13,050	
27	.....	19	1,000		14,050	
28	.....	19		1,500	12,550	
29	.....	19		450	12,100	
30	.....	19		7,500	4,600	
30	.....	19		1,000	3,600	
30	.....	19	3,000		6,600	

Accounts Receivable 12

<b>2012</b>						
Nov. 1	Balance .....	✓			30,750	
10	.....	18		25,000	5,750	
30	.....	19	30,000		35,750	

Prob. 2–4A (Continued)

**Prepaid Insurance** 13

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
Nov. 1	Balance .....	✓	.....	.....	1,500	.....
5	.....	18	3,600	.....	5,100	.....

**Office Supplies** 14

2012						
Nov. 1	Balance .....	✓	.....	.....	900	.....
2	.....	18	1,300	.....	2,200	.....
20	.....	18	.....	200	2,000	.....

**Land** 16

2012						
Nov. 15	.....	18	90,000	.....	90,000	.....

**Accounts Payable** 21

2012						
Nov. 1	Balance .....	✓	.....	.....	.....	7,000
2	.....	18	.....	1,300	.....	8,300
17	.....	18	4,500	.....	.....	3,800
20	.....	18	200	.....	.....	3,600

**Unearned Rent** 22

2012						
Nov. 30	.....	19	.....	3,000	.....	3,000

**Notes Payable** 23

2012						
Nov. 15	.....	18	.....	80,000	.....	80,000

**Ian Rogstad, Capital** 31

2012						
Nov. 1	Balance .....	✓	.....	.....	.....	23,000

Prob. 2–4A (Continued)

Ian Rogstad, Drawing 32

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
Nov. 1	Balance .....	✓	.....	.....	1,000	.....
30	.....	19	1,000	.....	2,000	.....

Fees Earned 41

2012						
Nov. 1	Balance .....	✓	.....	.....	.....	120,000
30	.....	19	.....	30,000	.....	150,000

Salary and Commission Expense 51

2012						
Nov. 1	Balance .....	✓	.....	.....	74,100	.....
27	.....	19	.....	1,000	73,100	.....
30	.....	19	7,500	.....	80,600	.....

Rent Expense 52

2012						
Nov. 1	Balance .....	✓	.....	.....	15,000	.....
1	.....	18	5,000	.....	20,000	.....

Advertising Expense 53

2012						
Nov. 1	Balance .....	✓	.....	.....	8,900	.....
23	.....	18	2,000	.....	10,900	.....

Automobile Expense 54

2012						
Nov. 1	Balance .....	✓	.....	.....	2,750	.....
28	.....	19	1,500	.....	4,250	.....

Miscellaneous Expense 59

2012						
Nov. 1	Balance .....	✓	.....	.....	1,950	.....
29	.....	19	450	.....	2,400	.....

Prob. 2–4A (Concluded)

4.

**UTOPIA REALTY**  
**Unadjusted Trial Balance**  
**November 30, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	6,600	
Accounts Receivable.....	35,750	
Prepaid Insurance .....	5,100	
Office Supplies .....	2,000	
Land.....	90,000	
Accounts Payable.....		3,600
Unearned Rent.....		3,000
Notes Payable .....		80,000
Ian Rogstad, Capital .....		23,000
Ian Rogstad, Drawing.....	2,000	
Fees Earned .....		150,000
Salary and Commission Expense .....	80,600	
Rent Expense.....	20,000	
Advertising Expense .....	10,900	
Automobile Expense .....	4,250	
Miscellaneous Expense .....	2,400	
	<u>259,600</u>	<u>259,600</u>

5. (a) The unadjusted trial balance in (4) still balances since the debits equaled the credits in the original journal entry.

(b) The correcting entry for \$1,800 (\$7,500 – \$5,700) would be as follows:

JOURNAL				Page 19
Date	Description	Post. Ref.	Debit	Credit
30	Cash .....	11	1,800	
	Salary and Commission Expense ....	51		1,800

(c) Transposition

**Prob. 2–5A**

- |  |        |                    |
|--|--------|--------------------|
| 1. Totals of preliminary trial balance:  | Debit  | <u>\$30,130.50</u> |
|  | Credit | <u>\$38,912.30</u> |
| 2. Difference between preliminary trial balance totals:                                    |        | <u>\$8,781.80</u>  |
| 3. Errors in trial balance:  |        |                    |
| (a) Supplies debit balance was listed as \$979.90 instead of \$997.90 (transposition).     |        |                    |
| (b) Notes Payable credit balance was listed as \$650.00 instead of \$6,500.00 (slide).     |        |                    |
| (c) Diann Adler, Drawing debit balance of \$1,350.00 was listed as credit balance.         |        |                    |
| (d) Rent Expense of \$1,540.00 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.....   |        |                    |
|  | 54     | 100.00             |
| Cash.....  | 11     | 100.00             |

Prob. 2–5A (Concluded)

7.

**A-AALL ELECTRONIC REPAIR  
Unadjusted Trial Balance  
May 31, 20—**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	8,816.00	
Supplies .....	997.90	
Prepaid Insurance .....	395.50	
Land.....	26,625.00	
Notes Payable .....		6,500.00
Accounts Payable.....		1,077.50
Diann Adler, Capital .....		27,760.20
Diann Adler, Drawing .....	1,350.00	
Service Revenue .....		8,000.40
Wages Expense .....	2,518.60	
Rent Expense.....	1,540.00	
Utilities Expense.....	436.60	
Advertising Expense .....	375.00	
Miscellaneous Expense .....	283.50	
	<u>43,338.10</u>	<u>43,338.10</u>

Prob. 2–6A

1.

**IMPERIAL CARPET  
Unadjusted Trial Balance  
March 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	44,800*	
Accounts Receivable.....	96,000	
Supplies .....	17,500	
Prepaid Insurance .....	8,600	
Equipment.....	392,000	
Notes Payable .....		235,200
Accounts Payable.....		61,600
Leonardo Pepin, Capital .....		244,300
Leonardo Pepin, Drawing .....	126,000	
Fees Earned .....		858,900
Wages Expense .....	490,000	
Rent Expense.....	116,200	
Advertising Expense .....	50,400	
Gas, Electricity, and Water Expense .....	48,300	
Miscellaneous Expense .....	10,200	
	<u>1,400,000</u>	<u>1,400,000</u>

\*\$38,200 + \$12,000 (a) – \$5,400 (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)	25,000	(b)	5,000
(g)	10,500	(c)	2,000
		(d)	1,450
		(f)	3,600
		(h)	1,750
		(i)	600
		(l)	1,600
		(m)	200
		(n)	350
		(o)	<u>550</u>
Bal.	<u>18,400</u>		

<b>Accounts Payable</b>			
(h)	1,750	(e)	8,000
	<u>      </u>	(j)	<u>1,500</u>
		Bal.	7,750

<b>April Layton, Capital</b>	
	(a) 25,000

<b>Professional Fees</b>	
	(g) 10,500
	(k) <u>12,800</u>
	Bal. 23,300

<b>Accounts Receivable</b>	
(k)	12,800

<b>Rent Expense</b>	
(c)	2,000

<b>Supplies</b>	
(d)	1,450

<b>Salary Expense</b>	
(l)	1,600

<b>Prepaid Insurance</b>	
(f)	3,600

<b>Blueprint Expense</b>	
(j)	1,500

<b>Automobiles</b>	
(b)	24,000

<b>Automobile Expense</b>	
(o)	550

<b>Equipment</b>	
(e)	8,000

<b>Miscellaneous Expense</b>	
(i)	600
(m)	<u>200</u>
Bal.	800

<b>Notes Payable</b>			
(n)	<u>350</u>	(b)	<u>19,000</u>
		Bal.	18,650



Prob. 2–1B (Concluded)

3.

**APRIL LAYTON, ARCHITECT**  
**Unadjusted Trial Balance**  
**June 30, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	18,400	
Accounts Receivable.....	12,800	
Supplies .....	1,450	
Prepaid Insurance .....	3,600	
Automobiles.....	24,000	
Equipment.....	8,000	
Notes Payable .....		18,650
Accounts Payable.....		7,750
April Layton, Capital.....		25,000
Professional Fees.....		23,300
Rent Expense.....	2,000	
Salary Expense .....	1,600	
Blueprint Expense .....	1,500	
Automobile Expense .....	550	
Miscellaneous Expense .....	800	
	<u>74,700</u>	<u>74,700</u>

4. Net income, \$16,850 ( $\$23,300 - \$2,000 - \$1,600 - \$1,500 - \$550 - \$800$ )

**Prob. 2–2B**

1.

(a)	Cash .....	18,000	
	Mitch Quade, Capital .....		18,000
(b)	Supplies .....	1,200	
	Accounts Payable .....		1,200
(c)	Cash .....	14,000	
	Sales Commissions .....		14,000
(d)	Rent Expense .....	3,000	
	Cash .....		3,000
(e)	Accounts Payable .....	750	
	Cash .....		750
(f)	Mitch Quade, Drawing .....	2,000	
	Cash .....		2,000
(g)	Automobile Expense .....	1,500	
	Miscellaneous Expense .....	400	
	Cash .....		1,900
(h)	Office Salaries Expense .....	2,800	
	Cash .....		2,800
(i)	Supplies Expense .....	800	
	Supplies .....		800

**Prob. 2–2B (Continued)**

2.

<b>Cash</b>			
(a)	18,000	(d)	3,000
(c)	14,000	(e)	750
		(f)	2,000
		(g)	1,900
		(h)	<u>2,800</u>
Bal.	<u>21,550</u>		

<b>Sales Commissions</b>	
	(c) 14,000

<b>Rent Expense</b>	
(d)	3,000

<b>Supplies</b>			
(b)	<u>1,200</u>	(i)	<u>800</u>
Bal.	400		

<b>Office Salaries Expense</b>	
(h)	2,800

<b>Accounts Payable</b>			
(e)	<u>750</u>	(b)	<u>1,200</u>
		Bal.	450

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

<b>Mitch Quade, Capital</b>	
	(a) 18,000

<b>Supplies Expense</b>	
(i)	800

<b>Mitch Quade, Drawing</b>	
(f)	2,000

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

Prob. 2–2B (Concluded)

3.

**MARINE REALTY**  
**Unadjusted Trial Balance**  
**March 31, 2012**

	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash.....	21,550	
Supplies .....	400	
Accounts Payable.....		450
Mitch Quade, Capital .....		18,000
Mitch Quade, Drawing.....	2,000	
Sales Commissions.....		14,000
Rent Expense.....	3,000	
Office Salaries Expense.....	2,800	
Automobile Expense .....	1,500	
Supplies Expense.....	800	
Miscellaneous Expense .....	400	
	<u>32,450</u>	<u>32,450</u>

4. a. \$14,000  
 b. \$8,500 (\$3,000 + \$2,800 + \$1,500 + \$800 + \$400)  
 c. \$5,500 (\$14,000 – \$8,500)
5. \$3,500 (\$5,500 – \$2,000) increase in owner’s equity

Prob. 2–3B

1.

JOURNAL					Page 1
Date	Description	Post. Ref.	Debit	Credit	
<b>2012</b>					
July 1	Cash .....	11	21,000		
	Kim Wheeler, Capital .....	31		21,000	
4	Rent Expense .....	53	2,750		
	Cash .....	11		2,750	
10	Truck .....	18	18,000		
	Cash .....	11		4,000	
	Notes Payable .....	21		14,000	
13	Equipment .....	16	9,000		
	Accounts Payable .....	22		9,000	
14	Supplies .....	13	1,500		
	Cash .....	11		1,500	
15	Prepaid Insurance .....	14	3,600		
	Cash .....	11		3,600	
15	Cash .....	11	12,000		
	Fees Earned .....	41		12,000	

JOURNAL					Page 2
Date	Description	Post. Ref.	Debit	Credit	
<b>2012</b>					
July 21	Accounts Payable .....	22	2,000		
	Cash .....	11		2,000	
24	Accounts Receivable .....	12	9,800		
	Fees Earned .....	41		9,800	
26	Truck Expense .....	55	700		
	Accounts Payable .....	22		700	
27	Utilities Expense .....	54	1,000		
	Cash .....	11		1,000	
27	Miscellaneous Expense .....	59	300		
	Cash .....	11		300	

Prob. 2–3B (Continued)

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Page 2

Date	Description	Post. Ref.	Debit	Credit
29	Cash .....	11	4,600	
	Accounts Receivable .....	12		4,600
30	Wages Expense .....	51	2,800	
	Cash .....	11		2,800
31	Kim Wheeler, Drawing .....	32	2,500	
	Cash .....	11		2,500

2.

GENERAL LEDGER

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
July 1	.....	1	21,000	.....	21,000	.....
4	.....	1	.....	2,750	18,250	.....
10	.....	1	.....	4,000	14,250	.....
14	.....	1	.....	1,500	12,750	.....
15	.....	1	.....	3,600	9,150	.....
15	.....	1	12,000	.....	21,150	.....
21	.....	2	.....	2,000	19,150	.....
27	.....	2	.....	1,000	18,150	.....
27	.....	2	.....	300	17,850	.....
29	.....	2	4,600	.....	22,450	.....
30	.....	2	.....	2,800	19,650	.....
31	.....	2	.....	2,500	17,150	.....

Accounts Receivable 12

<b>2012</b>						
July 24	.....	2	9,800	.....	9,800	.....
29	.....	2	.....	4,600	5,200	.....

**Prob. 2–3B (Continued)**

**Supplies 13**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
July 14	.....	1	1,500	.....	1,500	.....

**Prepaid Insurance 14**

2012						
July 15	.....	1	3,600	.....	3,600	.....

**Equipment 16**

2012						
July 13	.....	1	9,000	.....	9,000	.....

**Truck 18**

2012						
July 10	.....	1	18,000	.....	18,000	.....

**Notes Payable 21**

2012						
July 10	.....	1	.....	14,000	.....	14,000

**Accounts Payable 22**

2012						
July 13	.....	1	.....	9,000	.....	9,000
21	.....	2	2,000	.....	.....	7,000
26	.....	2	.....	700	.....	7,700

**Kim Wheeler, Capital 31**

2012						
July 1	.....	1	.....	21,000	.....	21,000

**Kim Wheeler, Drawing 32**

2012						
July 31	.....	2	2,500	.....	2,500	.....

**Prob. 2–3B (Continued)**

**Fees Earned 41**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
July 15	.....	1	.....	12,000	.....	12,000
24	.....	2	.....	9,800	.....	21,800

**Wages Expense 51**

<b>2012</b>						
July 30	.....	2	2,800	.....	2,800	.....

**Rent Expense 53**

<b>2012</b>						
July 4	.....	1	2,750	.....	2,750	.....

**Utilities Expense 54**

<b>2012</b>						
July 27	.....	2	1,000	.....	1,000	.....

**Truck Expense 55**

<b>2012</b>						
July 26	.....	2	700	.....	700	.....

**Miscellaneous Expense 59**

<b>2012</b>						
July 27	.....	2	300	.....	300	.....



Prob. 2–3B (Concluded)

3.

**AZTEC DESIGNS**  
**Unadjusted Trial Balance**  
**July 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	17,150	
Accounts Receivable.....	5,200	
Supplies .....	1,500	
Prepaid Insurance .....	3,600	
Equipment.....	9,000	
Truck.....	18,000	
Notes Payable .....		14,000
Accounts Payable.....		7,700
Kim Wheeler, Capital.....		21,000
Kim Wheeler, Drawing .....	2,500	
Fees Earned .....		21,800
Wages Expense .....	2,800	
Rent Expense.....	2,750	
Utilities Expense.....	1,000	
Truck Expense.....	700	
Miscellaneous Expense .....	300	
	<u>64,500</u>	<u>64,500</u>

4. \$14,250 (\$21,800 – \$2,800 – \$2,750 – \$1,000 – \$700 – \$300)

5. As will be discussed in Chapter 3, various adjustments are normally required at the end of the accounting period. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required.

*Note to Instructors:* At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2–4B

2. and 3.

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Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
Aug. 1	Office Supplies .....	14	1,800	
	Accounts Payable .....	21		1,800
2	Rent Expense .....	52	5,000	
	Cash .....	11		5,000
3	Cash .....	11	40,000	
	Accounts Receivable .....	12		40,000
5	Prepaid Insurance .....	13	6,000	
	Cash .....	11		6,000
9	Accounts Payable .....	21	400	
	Office Supplies .....	14		400
17	Advertising Expense .....	53	5,500	
	Cash .....	11		5,500
23	Accounts Payable .....	21	7,000	
	Cash .....	11		7,000

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Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
Aug. 29	Miscellaneous Expense .....	59	500	
	Cash .....	11		500
30	Automobile Expense .....	54	2,500	
	Cash .....	11		2,500
31	Cash .....	11	8,000	
	Salary and Commission Expense ....	51		8,000
31	Salary and Commission Expense .....	51	18,000	
	Cash .....	11		18,000
31	Accounts Receivable .....	12	112,000	
	Fees Earned .....	41		112,000

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Date	Description	Post. Ref.	Debit	Credit
31	Land .....	16	75,000	
	Cash .....	11		10,000
	Notes Payable .....	23		65,000
31	Sandy Ulrich, Drawing .....	32	12,000	
	Cash .....	11		12,000
31	Cash .....	11	4,000	
	Unearned Rent .....	22		4,000

GENERAL LEDGER

1. and 3.

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
Aug. 1	Balance .....	✓			30,000	
2	.....	18		5,000	25,000	
3	.....	18	40,000		65,000	
5	.....	18		6,000	59,000	
17	.....	18		5,500	53,500	
23	.....	18		7,000	46,500	
29	.....	19		500	46,000	
30	.....	19		2,500	43,500	
31	.....	19	8,000		51,500	
31	.....	19		18,000	33,500	
31	.....	19		10,000	23,500	
31	.....	19		12,000	11,500	
31	.....	19	4,000		15,500	

Accounts Receivable 12

<b>2012</b>						
Aug. 1	Balance .....	✓			57,200	
3	.....	18		40,000	17,200	
31	.....	19	112,000		129,200	

Prob. 2–4B (Continued)

**Prepaid Insurance** 13

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
Aug. 1	Balance .....	✓	.....	.....	7,200	.....
5	.....	18	6,000	.....	13,200	.....

**Office Supplies** 14

2012						
Aug. 1	Balance .....	✓	.....	.....	1,600	.....
1	.....	18	1,800	.....	3,400	.....
9	.....	18	.....	400	3,000	.....

**Land** 16

2012						
Aug. 31	.....	19	75,000	.....	75,000	.....

**Accounts Payable** 21

2012						
Aug. 1	Balance .....	✓	.....	.....	.....	12,000
1	.....	18	.....	1,800	.....	13,800
9	.....	18	400	.....	.....	13,400
23	.....	18	7,000	.....	.....	6,400

**Unearned Rent** 22

2012						
Aug. 31	.....	19	.....	4,000	.....	4,000

**Notes Payable** 23

2012						
Aug. 31	.....	19	.....	65,000	.....	65,000

**Sandy Ulrich, Capital** 31

2012						
Aug. 1	Balance .....	✓	.....	.....	.....	50,000

Prob. 2–4B (Continued)

**Sandy Ulrich, Drawing** **32**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
Aug. 1	Balance .....	✓			25,600	
31	.....	19	12,000		37,600	

**Fees Earned** **41**

2012						
Aug. 1	Balance .....	✓			338,000	
31	.....	19		112,000	450,000	

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

2012						
Aug. 1	Balance .....	✓			220,000	
31	.....	19		8,000	212,000	
31	.....	19	18,000		230,000	

**Rent Expense** **52**

2012						
Aug. 1	Balance .....	✓			28,000	
2	.....	18	5,000		33,000	

**Advertising Expense** **53**

2012						
Aug. 1	Balance .....	✓			18,400	
17	.....	18	5,500		23,900	

**Automobile Expense** **54**

2012						
Aug. 1	Balance .....	✓			9,000	
30	.....	19	2,500		11,500	

**Miscellaneous Expense** **59**

2012						
Aug. 1	Balance .....	✓			3,000	
29	.....	19	500		3,500	

Prob. 2–4B (Concluded)

4.

**PRIME TIME REALTY**  
**Unadjusted Trial Balance**  
**August 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	15,500	
Accounts Receivable.....	129,200	
Prepaid Insurance .....	13,200	
Office Supplies .....	3,000	
Land.....	75,000	
Accounts Payable.....		6,400
Unearned Rent.....		4,000
Notes Payable .....		65,000
Sandy Ulrich, Capital.....		50,000
Sandy Ulrich, Drawing .....	37,600	
Fees Earned .....		450,000
Salary and Commission Expense .....	230,000	
Rent Expense.....	33,000	
Advertising Expense .....	23,900	
Automobile Expense .....	11,500	
Miscellaneous Expense .....	3,500	
	<u>575,400</u>	<u>575,400</u>

5. (a) The unadjusted trial balance in (4) still balances since the debits equaled the credits in the original journal entry.
- (b) The correcting entry for \$10,800 (\$12,000 – \$1,200) would be as follows:

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Date	Description	Post. Ref.	Debit	Credit
31	Cash .....	11	10,800	
	Sandy Ulrich, Drawing.....	32		10,800

(c) Slide

**Prob. 2–5B**

- |  |        |                    |
|--|--------|--------------------|
| 1. Totals of preliminary trial balance:  | Debit  | <u>\$30,130.50</u> |
|  | Credit | <u>\$38,912.30</u> |
|  |        |                    |
| 2. Difference between preliminary trial balance totals:                                    |        | <u>\$8,781.80</u>  |
|  |        |                    |
| 3. Errors in trial balance:  |        |                    |
| (a) Supplies debit balance was listed as \$979.90 instead of \$997.90 (transposition).     |        |                    |
| (b) Notes Payable credit balance was listed as \$650.00 instead of \$6,500.00 (slide).     |        |                    |
| (c) Diann Adler, Drawing debit balance of \$1,350.00 was listed as credit balance.         |        |                    |
| (d) Rent Expense of \$1,540.00 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     | 275.00             |
| Cash .....   | 11     | 275.00             |

Prob. 2–5B (Concluded)

7.

**A-AALL ELECTRONIC REPAIR  
Unadjusted Trial Balance  
May 31, 20—**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	8,641.00	
Supplies .....	997.90	
Prepaid Insurance .....	395.50	
Land.....	26,625.00	
Notes Payable .....		6,500.00
Accounts Payable.....		1,077.50
Diann Adler, Capital .....		27,760.20
Diann Adler, Drawing .....	1,350.00	
Service Revenue .....		8,000.40
Wages Expense .....	2,518.60	
Rent Expense.....	1,540.00	
Utilities Expense.....	711.60	
Advertising Expense .....	275.00	
Miscellaneous Expense .....	283.50	
	<u>43,338.10</u>	<u>43,338.10</u>



Prob. 2–6B

1.

**ELITE VIDEO**  
**Unadjusted Trial Balance**  
**October 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	8,100*	
Accounts Receivable.....	22,560	
Supplies .....	2,700	
Prepaid Insurance .....	3,840	
Equipment.....	64,800	
Notes Payable .....		21,600
Accounts Payable.....		6,660
Aimee Desanti, Capital .....		43,140
Aimee Desanti, Drawing.....	15,600	
Fees Earned .....		213,600
Wages Expense .....	122,400	
Rent Expense.....	25,020	
Advertising Expense .....	11,340	
Gas, Electricity, and Water Expense .....	6,800	
Miscellaneous Expense .....	<u>1,840</u>	
	<u>285,000</u>	<u>285,000</u>

\*\$11,100 – \$7,500 (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.

## CONTINUING PROBLEM

2. and 3.

### JOURNAL

Page 1

Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
July 1	Cash .....	11	4,000	
	Pat Sharpe, Capital .....	31		4,000
1	Office Rent Expense .....	51	1,800	
	Cash .....	11		1,800
1	Prepaid Insurance .....	15	2,700	
	Cash .....	11		2,700
2	Cash .....	11	1,250	
	Accounts Receivable .....	12		1,250
3	Cash .....	11	7,200	
	Unearned Revenue .....	23		7,200
3	Accounts Payable .....	21	250	
	Cash .....	11		250
4	Miscellaneous Expense .....	59	800	
	Cash .....	11		800
5	Office Equipment .....	17	6,000	
	Accounts Payable .....	21		6,000
8	Advertising Expense .....	55	200	
	Cash .....	11		200
11	Cash .....	11	900	
	Fees Earned .....	41		900
13	Equipment Rent Expense .....	52	600	
	Cash .....	11		600
14	Wages Expense .....	50	1,200	
	Cash .....	11		1,200

Continuing Problem (Continued)

2. and 3.

JOURNAL

Page 2

Date	Description	Post. Ref.	Debit	Credit
<b>2012</b>				
July 16	Cash .....	11	2,100	
	Fees Earned .....	41		2,100
18	Supplies .....	14	1,080	
	Accounts Payable .....	21		1,080
21	Music Expense .....	54	620	
	Cash .....	11		620
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	760	
	Cash .....	11		760
28	Wages Expense .....	50	1,200	
	Cash .....	11		1,200
29	Miscellaneous Expense .....	59	370	
	Cash .....	11		370
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	1,400	
	Cash .....	11		1,400
31	Pat Sharpe, Drawing .....	32	1,500	
	Cash .....	11		1,500

Continuing Problem (Continued)

1. and 3.

GENERAL LEDGER

Cash 11

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
July 1	Balance .....	✓			5,310	
1	.....	1	4,000		9,310	
1	.....	1		1,800	7,510	
1	.....	1		2,700	4,810	
2	.....	1	1,250		6,060	
3	.....	1	7,200		13,260	
3	.....	1		250	13,010	
4	.....	1		800	12,210	
8	.....	1		200	12,010	
11	.....	1	900		12,910	
13	.....	1		600	12,310	
14	.....	1		1,200	11,110	
16	.....	2	2,100		13,210	
21	.....	2		620	12,590	
22	.....	2		800	11,790	
23	.....	2	750		12,540	
27	.....	2		760	11,780	
28	.....	2		1,200	10,580	
29	.....	2		370	10,210	
30	.....	2	400		10,610	
31	.....	2	2,800		13,410	
31	.....	2		1,400	12,010	
31	.....	2		1,500	10,510	

Accounts Receivable 12

<b>2012</b>						
July 1	Balance .....	✓			1,250	
2	.....	1		1,250	—	—
23	.....	2	1,750		1,750	
30	.....	2	1,400		3,150	

Supplies 14

<b>2012</b>						
July 1	Balance .....	✓			170	
18	.....	2	1,080		1,250	

**Continuing Problem (Continued)**

**Prepaid Insurance 15**

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
July 1	.....	1	2,700	.....	2,700	.....

**Office Equipment 17**

<b>2012</b>						
July 5	.....	1	6,000	.....	6,000	.....

**Accounts Payable 21**

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	.....	250
3	.....	1	250	.....	—	—
5	.....	1	.....	6,000	.....	6,000
18	.....	2	.....	1,080	.....	7,080

**Unearned Revenue 23**

<b>2012</b>						
July 3	.....	1	.....	7,200	.....	7,200

**Pat Sharpe, Capital 31**

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	.....	5,000
1	.....	1	.....	4,000	.....	9,000

**Pat Sharpe, Drawing 32**

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	500	.....
31	.....	2	1,500	.....	2,000	.....

**Fees Earned 41**

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	.....	6,650
11	.....	1	.....	900	.....	7,550
16	.....	2	.....	2,100	.....	9,650
23	.....	2	.....	2,500	.....	12,150
30	.....	2	.....	1,800	.....	13,950
31	.....	2	.....	2,800	.....	16,750

## Continuing Problem (Continued)

### Wages Expense 50

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
<b>2012</b>						
July 1	Balance .....	✓	.....	.....	400	.....
14	.....	1	1,200	.....	1,600	.....
28	.....	2	1,200	.....	2,800	.....

### Office Rent Expense 51

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	750	.....
1	.....	1	1,800	.....	2,550	.....

### Equipment Rent Expense 52

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	700	.....
13	.....	1	600	.....	1,300	.....

### Utilities Expense 53

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	300	.....
27	.....	2	760	.....	1,060	.....

### Music Expense 54

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	1,590	.....
21	.....	2	620	.....	2,210	.....
31	.....	2	1,400	.....	3,610	.....

### Advertising Expense 55

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	450	.....
8	.....	1	200	.....	650	.....
22	.....	2	800	.....	1,450	.....

### Supplies Expense 56

<b>2012</b>						
July 1	Balance .....	✓	.....	.....	180	.....

Continuing Problem (Concluded)

Miscellaneous Expense 59

Date	Item	Post. Ref.	Dr.	Cr.	Balance	
					Dr.	Cr.
2012						
July 1	Balance .....	✓			300	
4	.....	1	800		1,100	
29	.....	2	370		1,470	

4.

**PS MUSIC**  
Unadjusted Trial Balance  
July 31, 2012

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash.....	10,510	
Accounts Receivable.....	3,150	
Supplies .....	1,250	
Prepaid Insurance .....	2,700	
Office Equipment.....	6,000	
Accounts Payable.....		7,080
Unearned Revenue .....		7,200
Pat Sharpe, Capital.....		9,000
Pat Sharpe, Drawing .....	2,000	
Fees Earned .....		16,750
Wages Expense .....	2,800	
Office Rent Expense.....	2,550	
Equipment Rent Expense .....	1,300	
Utilities Expense.....	1,060	
Music Expense .....	3,610	
Advertising Expense .....	1,450	
Supplies Expense.....	180	
Miscellaneous Expense .....	<u>1,470</u>	
	<u>40,030</u>	<u>40,030</u>

## CASES & PROJECTS

### CP 2–1

Acceptable ethical conduct requires that Jonni look for the difference. If Jonni 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. Jonni'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.

### CP 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.

### CP 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.



## CP 2–4

1. The rules of debit and credit must be memorized. Neil 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, Neil 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 equal credits and (2) assets always equal liabilities plus owner's equity. If all increases in the account were recorded by debits, then the control that debits always equal 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.

Neil 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.

CP 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 AA 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	Anwar Askari, Capital	54	Utilities Expense
32	Anwar Askari, Drawing	55	Miscellaneous Expense

- b.

**AA CADDY SERVICE**  
**Income Statement**  
**For Month Ended June 30, 2012**

Service revenue .....		\$12,300
Expenses:		
Rent expense .....	\$3,700	
Supplies expense .....	1,300	
Wages expense .....	850	
Utilities expense .....	340	
Miscellaneous expense.....	<u>350</u>	
Total expenses.....		<u>6,540</u>
Net income .....		<u>\$ 5,760</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 AA 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.

CP 2–5 (Continued)

Cash		11	
2012		2012	
June 1	3,500	June 1	700
15	4,150	2	800
30	6,350	3	500
30	1,200	17	600
		20	2,500
		28	350
		30	340
		30	<u>850</u>
Bal.	8,560		

Service Revenue		41	
2012		2012	
		June 15	4,150
		25	1,800
		30	<u>6,350</u>
		Bal.	12,300

Rent Expense		51	
2012			
June 1	700		
3	<u>3,000</u>		
Bal.	3,700		

Accounts Receivable		12	
2012		2012	
June 25	<u>1,800</u>	June 30	<u>1,200</u>
Bal.	600		

Supplies Expense		52	
2012			
June 30	1,300		

Supplies		13	
2012		2012	
June 2	800	June 30	1,300
7	600		
22	<u>400</u>		
Bal.	500		

Wages Expense		53	
2012			
June 30	850		

Utilities Expense		54	
2012			
June 30	340		

Accounts Payable		21	
2012		2012	
June 17	600	June 3	2,500
20	2,500	7	600
		22	<u>400</u>
		Bal.	400

Miscellaneous Expense		55	
2012			
June 28	350		

Anwar Askari, Capital		31	
2012			
June 1	3,500		

**CP 2–5 (Concluded)**

c. **\$8,560, computed in the following manner:**

<b>Cash receipts:</b>		
Initial investment.....	\$ 3,500	
Cash sales .....	10,500	
Collections on accounts .....	<u>1,200</u>	
<b>Total cash receipts during June.....</b>		<b>\$15,200</b>
 <b>Cash disbursements:</b>		
Rent expense .....	\$ 3,700	
Supplies purchased for cash.....	800	
Wages expense.....	850	
Payment for supplies on account.....	600	
Utilities expense .....	340	
Miscellaneous expense.....	<u>350</u>	
<b>Total cash disbursements during June .....</b>		<b><u>6,640</u></b>
 Cash on hand according to records.....		 <b><u>\$ 8,560*</u></b>

\*If the student used T accounts in completing part (b), or this part, this amount (\$8,560) should agree with the balance of the cash account.

d. The difference of \$170 (\$8,560 – \$8,390) between the cash on hand according to records (\$8,560) and the cash on hand according to the count (\$8,390) could be due to many factors, including errors in the record keeping and withdrawals made by Anwar.

**CP 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.

An example of an advertisement for an accounting job is shown on the next page.  
Source: CareerBuilders.com

**ACCOUNTING MANAGER****Accountants One****JOB SNAPSHOT:**

Location: North East metro Atlanta area, GA

Base Pay: \$60,000–\$65,000/Year

Other Pay: Excellent corporate Benefits!

Employee Type: Full-Time

Industry: Manufacturing

Manages Others: Yes

Job Type: Accounting

Education: 4 Year Degree

Experience: 3 to 8 years

Travel: None

Relocation Covered: No

Post Date: 5/9/2010

Contact Information

Contact:

Phone: 555-395-6969

Ref ID: RD5694

**DESCRIPTION:**

A growing and well-established Atlanta company has asked us to recruit an Accounting Manager. This person will report to the Controller and be responsible for all day-to-day management of the department.

**ESSENTIAL FUNCTIONS:**

- Provide management with timely and accurate data and reports
- Responsible for accuracy of accounting entries, monthly P & L and Balance Sheets
- Perform analysis of financial reports and performance
- Personally conduct and manage collection activities
- Process bi-weekly employee payroll in an accurate and timely manner
- Supervise, train and develop Accounts Payable Coordinator and additional accounting staff as necessary
- Interact with vendors and customers in a payables and receivables management process.
- Initiate bank wires and ACH transfers
- Interact with Internal and External auditors in completing audits.
- Perform other duties as assigned

**REQUIREMENTS:**

- BS degree in Accounting, successful completion of CPA exams is a plus. Minimum 3 years experience as an accounting manager or supervisor in a manufacturing environment is Absolutely Required! Working knowledge of Microsoft Dynamics 10.0 is very strongly preferred!
- Exceptional analytical and problem solving abilities
- Must be well versed in the financial aspects of inventory as well as state and federal financial regulations
- Must possess the ability to professionally interact with internal and external customers  
Excellent Written and verbal communication skills
- Proficient knowledge of Excel and Word
- Experience with EXACT software as well as LOTUS Notes would be a plus
- Ability to analyze financial data and prepare financial reports, statements and projections

**CLIENT IS INTERVIEWING FOR AN IMMEDIATE HIRE!**

**NO CALLS PLEASE, AND LOCAL CANDIDATES ONLY** need apply by emailing Confidential resume as soon as possible. All Qualified will be contacted immediately.

## CP 2–6 (Continued)

An example of a job advertisement requiring accounting knowledge is as follows:

Source: CareerBuilders.com

### EAST REGION FINANCIAL INSTITUTIONS DIRECTOR

#### Jefferson Wells

##### JOB SNAPSHOT:

Location: Atlanta, GA 30301

Employee Type: Full-Time

Industry: Accounting - Finance

Manages Others: Yes

Job Type: Accounting

Experience: Not Specified

Travel: Up to 50%

Post Date: 5/17/2010

Contact Information

Ref ID: 1294

##### DESCRIPTION:

Directors at Jefferson Wells are crucial to our success. They bring a wealth of experience and knowledge to our various service offerings and are responsible for ensuring the development and execution of the strategic plan for their respective market. Their goal is to drive the development of the Solution Area with the goal of significant growth and profitability. They provide technical expertise and leverage a network of clients and contacts. The Director plays a critical role in the leadership and development of our Engagement Managers and Professional Consultants.

Directors create and implement the Marketing Operating Plan, as well as create revenue strategies to meet revenue targets. They drive development and execution of effective client solutions to key targets. Directors work closely with Business Development Managers on proposals and business development calls. Directors serve as the business advisor to clients to ensure quality assurance standards are met. They manage, direct and monitor multiple client services teams on client engagements. They maintain strong communication with clients to manage expectations, ensure client satisfaction and adherence to deadlines. Other key success factors include:

- Solid history of excellent performance, management capability, and revenue growth
- Proven ability to drive a business including selling, work plan development, proposal writing and overseeing service delivery
- Management experience of a large group of professionals of 10 or more, with demonstrated history of building a solution area - hiring, training and mentoring
- Demonstrated ability in developing meaningful client relationships; and capacity to bring and leverage relationships to Jefferson Wells

The East Region Financial Institutions Director works under the general supervision of the East Region Vice President and has a dotted line relationship to the Managing Directors in the region. This Director will be recognized as a financial institution industry leader with expertise in the areas of commercial and residential loan origination/servicing, deposit operations and the corresponding GAAP accounting requirements as well as regulatory compliance. He/she will be accountable for overseeing the following projects/activities at Jefferson Wells' financial institution clients in one or all of the following areas:

- Regulatory Compliance including Loan Compliance and BSA/AML
- Troubled Debt Restructuring
- Enterprise Risk Management
- Loan Reviews (Commercial and/or Consumer) and Credit Risk
- FAS 15 and FAS 114
- Foreclosure Application Processing
- Loss Mitigation
- Financial Process Documentation and Improvement
- Policy and Procedure Development

## **CP 2–6 (Concluded)**

Jefferson Wells ([www.jeffersonwells.com](http://www.jeffersonwells.com)) delivers professional services in the areas of internal audit and controls, technology risk management, tax, and finance and accounting-related services. The firm's unique, agile structure aligns experienced professionals with proven processes to deliver pragmatic and cost-effective results. Headquartered in Milwaukee, Jefferson Wells serves clients, including Fortune 500 and Global 1000 companies, from offices worldwide. Jefferson Wells is an independently operating, wholly owned subsidiary of Manpower Inc. (NYSE: MAN).

Jefferson Wells is an Equal Opportunity Employer.

### **REQUIREMENTS:**

- **Minimum 12 years or more of clearly progressive, professional development in the general area of accounting services/ internal auditing including a mix of public accounting and managerial level financial institution industry experience.**
- **Bachelor's degree in accounting**
- **CPA, CIA and/or MBA preferred**
- **Consulting delivery experience**
- **Strong leadership skills**
- **Senior level internal compliance experience within a large financial institution**
- **Willingness and ability to travel**

