

SOLUTIONS MANUAL

Accounting



Horngrén | Harrison | Oliver

NINTH EDITION

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Accounting



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Chapter 2

Recording Business Transactions

Short Exercises

(10 min.) **S 2-1**

Req.1

1. G
2. C
3. E
4. D
5. A
6. I
7. F
8. B
9. H
10. J

Req. 1

Debits are increases for the following types of accounts:

- **Assets**
- **Owner's drawing**
- **Expenses**

Debits are decreases for these types of accounts:

- **Liabilities**
- **Owner's capital**
- **Revenues**

Req. 2

Credits are increases for these types of accounts:

- **Liabilities**
- **Owner's capital**
- **Revenues**

Credits are decreases for these types of accounts:

- **Assets**
- **Owner's drawing**
- **Expenses**

(5 min.) S 2-3

Req. 1

Normal Balance Debit or Credit	
Assets	Debit
Liabilities	Credit
Owner's equity overall	Credit
Capital	Credit
Drawing	Debit
Revenues	Credit
Expenses	Debit

(5 min.) S 2-4

Req. 1

Step 1: Identify each account affected and its type.

Step 2: Determine whether each account is increased or decreased.

Step 3: Record the transaction in the journal.

	Account	Type	Increase/ Decrease
5	Accounts receivable	Asset	Increase
	Service revenue	Owner's equity	Increase
28	Cash	Asset	Increase
	Accounts receivable	Asset	Decrease

(continued) S 2-4

Req. 1 - continued

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	5	Accounts receivable		1,000	
		Service revenue			1,000
		Performed service on account.			
	28	Cash		600	
		Accounts receivable			600
		Received cash on account.			

(10 min.) S 2-5

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	1	Cash		29,000	
		Brown, capital			29,000
		Owner investment			
	2	Medical supplies		14,000	
		Accounts payable			14,000
		Purchased supplies on account.			
	2	Rent expense		2,600	
		Cash			2,600
		Paid office rent.			
	3	Accounts receivable		8,000	
		Service revenue			8,000
		Performed service on account.			

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	22	Accounts receivable		8,000	
		Service revenue			8,000
		Performed service on account.			
	30	Cash		7,000	
		Accounts receivable			7,000
		Received cash on account.			
	31	Utilities expense		180	
		Accounts payable			180
		Received utility bill.			
	31	Salary expense		2,000	
		Cash			2,000
		Paid salary expense.			
	31	Advertising expense		700	
		Cash			700
		Paid advertising expense.			

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
1.	Supplies		3,400	
	Accounts payable			3,400
	Purchased supplies on account.			
2.	Accounts payable		1,700	
	Cash (\$3,400 × 1/2)			1,700
	Paid on account.			

Req. 2

Accounts payable			
2.	1,700	1.	3,400
		Bal	1,700

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Accounts receivable		16,000	
	Service revenue			16,000
	Performed service on account.			
	Cash		9,600	
	Accounts receivable			9,600
	Received cash on account.			

Req. 2

Cash	Accounts receivable	Service revenue
9,600	16,000	16,000
Bal 9,600	Bal 6,400	Bal 16,000

Req. 3

- a. Washington earned: \$16,000 as Service revenue
- b.
- | | |
|---------------------|-----------------|
| Cash | \$9,600 |
| Accounts receivable | <u>6,400</u> |
| Total assets | <u>\$16,000</u> |

Req. 1

Cash	
	29,000
	2,600
Bal	26,400

Accounts receivable	
	8,000
Bal	8,000

Medical supplies	
	14,000
Bal	14,000

Accounts payable	
	14,000
Bal	14,000

Brown, capital	
	29,000
Bal	29,000

Service revenue	
	8,000
Bal	8,000

Rent expense	
	2,600
Bal	2,600

Req. 2

Ned Brown, M.D.		
Trial Balance		
January 3, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$26,400	
Accounts receivable	8,000	
Medical supplies	14,000	
Accounts payable		\$14,000
Brown, capital		29,000
Service revenue		8,000
Rent expense	<u>2,600</u>	
Total	<u>\$51,000</u>	<u>\$51,000</u>

(10 min.) S 2-10

Req. 1

Oakland Floor Coverings		
Trial Balance		
December 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$12,000	
Equipment	45,000	
Accounts payable		\$ 2,000
Other liabilities		18,000
Oakland, capital		22,000
Revenues		34,000
Expenses	<u>19,000</u>	
Total	<u>\$76,000</u>	<u>\$76,000</u>

Req. 1

Brenda Longval Travel Design		
Incorrect Trial Balance		
April 30, 2012		
ACCOUNT	Balance	
	DEBIT	CREDIT
Cash	\$18,000	
Accounts receivable	1,000	
Office supplies	500	
Land	14,000	
Accounts payable		\$ 400
Longval, capital	30,600*	
Longval, drawing	3,000	
Service revenue		8,800
Rent expense, computer	700	
Rent expense, office	900	
Salary expense	1,100	
Utilities expense	600	
Total	<u>\$70,400</u>	<u>\$9,200</u>

*Incorrect; should be listed as a credit.

To correct this error,

1. Take the difference between total debits and total credits:

$$\$70,400 - \$9,200 = \$61,200$$

2. Divide the error by 2:

$$\$61,200 / 2 = \$30,600$$

3. Locate \$30,600 on the trial balance. The Longval, capital account should have a credit balance.

Req. 1

Francis Nangle Travel Design		
Incorrect Trial Balance		
January 31, 2012		
ACCOUNT	Balance	
	DEBIT	CREDIT
Cash	\$20,000	
Accounts receivable	1,000	
Office supplies	500	
Land	12,000	
Accounts payable		\$ 100
Nangle, capital		31,000
Nangle, drawing	300*	
Service revenue		8,700
Rent expense, computer	700	
Rent expense, office	1,200	
Salary expense	1,200	
Utilities expense	200	
Total	<u>\$37,100</u>	<u>\$39,800</u>

*Incorrect; should be listed as \$3,000.

To correct this error,

1. Take the difference between total debits and total credits:

$$\$37,100 - \$39,800 = \$2,700$$

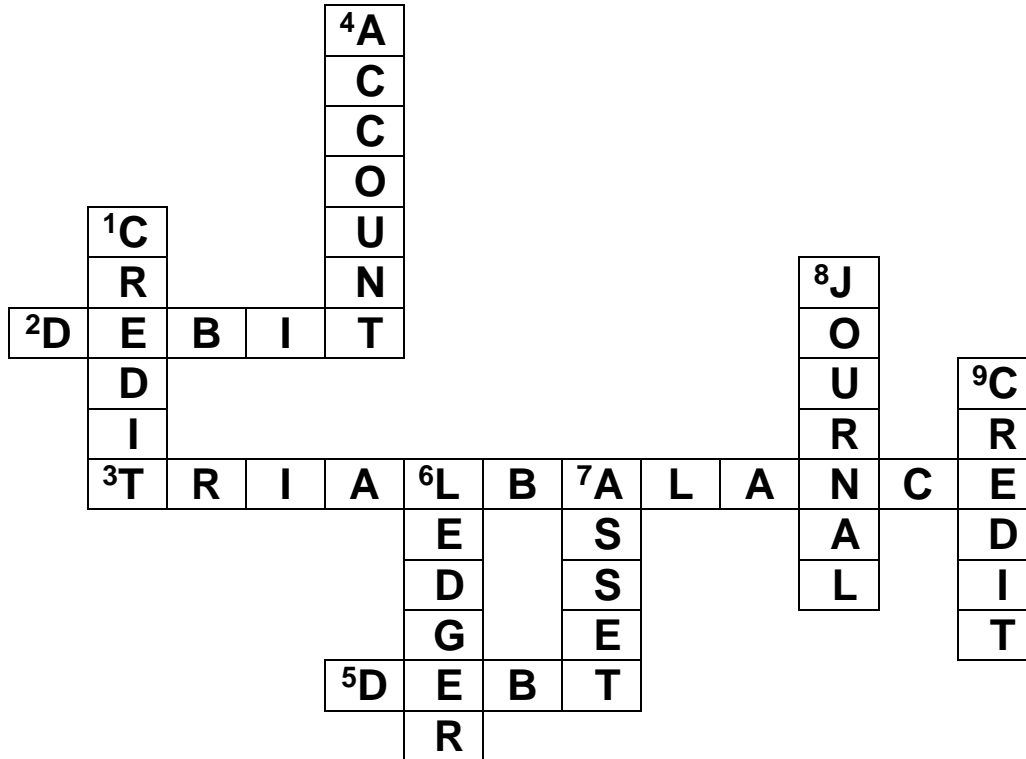
2. Divide the error by 9:

$$\$2,700 \div 9 = \$300$$

3. Locate \$300 on the trial balance. The Nangle, drawing account holds the error. Trace the Nangle, drawing balance back to the ledger account, which shows the correct amount, \$3,000.

Exercises

(10 min.) E 2-13



(10-15 min.) E 2-14

				⁴ N								
		² R	E	C	E	I	V	A	B	L	⁷ E	
¹ D					T							X
E					I							P
³ B	A	L	A	N	C	E	S	H	E	E	T	
I					C							N
T				⁵ P	O	S	T					S
					M							E
	⁶ C	R	E	D	I	T						

(10-15 min.) E 2-15

Req. 1

ASSETS	=	LIABILITIES	+	OWNER'S EQUITY
Debit		Credit		Credit
\$390,000	=	\$260,000	+	\$130,000

Req. 2

REVENUES	-	EXPENSES	=	NET INCOME (net loss)
\$480,000	-	\$350,000	=	\$130,000
Credit		Debit		Credit

NET INCOME represents a net credit because revenues (credits) exceed expenses (debits).

NET LOSS would be a net debit because expenses (debits) would exceed revenues (credits).

Req. 1

Journal				
DATE		ACCOUNTS AND EXPLANATIONS	DEBIT	CREDIT
Jul	2	Utilities expense	400	
		Cash		400
	5	Equipment	2,100	
		Accounts payable		2,100
	10	Accounts receivable	2,000	
		Service revenue		2,000
	12	Cash	7,000	
		Note payable		7,000
	19	Cash	29,000	
		Land		29,000
	21	Supplies	800	
		Cash		800
	27	Accounts payable	2,100	
		Cash		2,100

Req. 1

May	1	Owner's investment
	2	Purchased supplies on account (on credit)
	4	Paid cash for building
	6	Performed services for cash
	9	Payment on account
	17	Performed services on account
	23	Received payment on account
	31	Payment of expenses

Reqs. 2 and 3

Cash		110	Accounts receivable		120
May 1	75,000	May 4	53,000	May 17	2,500
6	2,600	9	400	May 23	1,900
23	1,900	31	2,000	May 31	600
May 31	24,100				

Supplies		130	Building		140
May 2	500	May 4	53,000		
May 31	500	May 31	53,000		

Accounts payable		210	Ward, capital		310
May 9	400	May 2	500	May 1	75,000
		May 31	100	May 31	75,000

(continued) E 2-17

Req. 1

Service revenue		410	Rent expense		510
	May 6	2,600	May 31	900	
	17	2,500	May 31	900	
	May 31	5,100			

Salary expense		520
May 31	1,100	
May 31	1,100	

(continued) E 2-17

Req. 4

Ward Technology Solutions		
Trial Balance		
May 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$24,100	
Accounts receivable	600	
Supplies	500	
Building	53,000	
Accounts payable		\$ 100
Ward, capital		75,000
Service revenue		5,100
Salary expense	1,100	
Rent expense	900	
Total	<u>\$80,200</u>	<u>\$80,200</u>

Req. 1

Req. 2

	Effect on Trial Balance	Account	Amount	Direction of Error
a.	Total debits > Total credits	Note payable	\$7,000	Too low
b.	Total debits > Total credits	Utility expense	810	Too high
c.	Total debits = Total credits	Furniture	800	Too high
		Accounts payable	800	Too high
d.	Total debits > Total credits	Cash	1,080	Too high
e.	Total debits = Total credits	Supplies	90	Too low
		Accounts payable	90	Too low

Reqs. 1 and 2

Cash			
Jul 1	4,000	Jul 2	400
12	7,000	21	800
19	29,000	27	2,100
Jul 31	36,700		

Accounts receivable			
Jul 10	2,000		
Jul 31	2,000		

Supplies			
Jul 21	800		
Jul 31	800		

Equipment			
Jul 5	2,100		
Jul 31	2,100		

Land			
Jul 1	29,000	Jul 19	29,000
Jul 31	0		

Accounts payable			
Jul 27	2,100	Jul 5	2,100
		Jul 31	0

Notes payable			
	Jul 12	7,000	
	Jul 31	7,000	

London, capital			
	Jul 1	33,000	
	Jul 31	33,000	

Service revenue			
	Jul 10	2,000	
	Jul 31	2,000	

Utilities expense			
Jul 2	400		
Jul 31	400		

Req. 3

London Engineering		
Trial Balance		
July 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$36,700	
Accounts receivable	2,000	
Supplies	800	
Equipment	2,100	
Notes payable		\$ 7,000
London, capital		33,000
Service revenue		2,000
Utilities expense	400	
Total	<u>\$42,000</u>	<u>\$42,000</u>

Req. 1

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	1. Cash		53,000	
	Adams, capital			53,000
	Owner's investment.			
	2. Supplies		700	
	Accounts payable			700
	Purchased supplies on account.			
	3. Building		40,000	
	Cash			40,000
	Paid cash for building.			
	4. Cash		50,000	
	Note payable			50,000
	Borrowed money; signed note payable.			
	5. Equipment		4,700	
	Cash			4,700
	Paid cash for equipment.			

Req. 2

Adams' Lawn Care Company		
Trial Balance		
December 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 58,300	
Supplies	700	
Equipment	4,700	
Building	40,000	
Accounts payable		\$ 700
Note payable		50,000
Adams, capital		<u>53,000</u>
Total	<u>\$103,700</u>	<u>\$103,700</u>

Req. 1 Thomas Sell's transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Repair expense		573.41	
	Cash			573.41
	Paid repair bill.			

Req. 2 Best Automotive's transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Cash		573.41	
	Service revenue			573.41
	Performed service and received cash.			

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		14,100	
	Office furniture		5,200	
	Parker, capital			19,300
b.	Rent expense		1,500	
	Cash			1,500
c.	Office supplies		900	
	Accounts payable			900
d.	Salary expense		1,700	
	Cash			1,700
e.	Accounts payable		700	
	Cash			700
f.	Accounts receivable		5,900	
	Service revenue			5,900
g.	Parker, drawing		6,700	
	Cash			6,700

Reqs. 1 and 2

ACCOUNT Cash					ACCOUNT NO.		
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
a.			14,100		14,100		
b.				1,500	12,600		
d.				1,700	10,900		
e.				700	10,200		
g.				6,700	3,500		

ACCOUNT Accounts receivable					ACCOUNT NO.		
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
f.			5,900		5,900		

ACCOUNT Office supplies					ACCOUNT NO.		
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
c.			900		900		

ACCOUNT Office furniture					ACCOUNT NO.		
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
a.			5,200		5,200		

Reqs. 1 and 2

ACCOUNT Accounts payable					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
c.					900		900
e.				700			200

ACCOUNT Parker, capital					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
a.					19,300		19,300

ACCOUNT Parker, drawing					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
g.				6,700		6,700	

ACCOUNT Service revenue					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
f.					5,900		5,900

Reqs. 1 and 2

ACCOUNT Salary expense					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
d.			1,700		1,700	

ACCOUNT Rent expense					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
b.			1,500		1,500	

Req. 3

Teresa Parker, CPA		
Trial Balance		
December 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 3,500	
Accounts receivable	5,900	
Office supplies	900	
Office furniture	5,200	
Accounts payable		\$ 200
Parker, capital		19,300
Parker, drawing	6,700	
Service revenue		5,900
Salary expense	1,700	
Rent expense	1,500	
Total	<u>\$25,400</u>	<u>\$25,400</u>

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Aug	1	Cash		48,000	
		Principe, capital			48,000
		Owner's investment			
	2	Supplies		500	
		Accounts payable			500
		Purchased supplies on account.			
	4	Building		47,000	
		Cash			47,000
		Paid cash for a building.			
	6	Cash		4,400	
		Service revenue			4,400
		Performed service for cash.			
	9	Accounts payable		200	
		Cash			200
		Paid cash on account.			
	17	Accounts receivable		2,200	
		Service revenue			2,200
		Performed service on account.			
	23	Cash		1,600	
		Accounts receivable			1,600
		Received cash on account.			
	31	Salary expense		1,900	
		Rent expense		700	
		Cash			2,600
		Paid expenses.			

Req. 1

Cash

Aug 1	48,000	Aug 4	47,000
6	4,400	9	200
23	1,600	31	2,600
Aug 31	4,200		

Accounts receivable

Aug 17	2,200	Aug 23	1,600
Aug 31	600		

Supplies

Aug 2	500		
Aug 31	500		

Building

Aug 4	47,000		
Aug 31	47,000		

Accounts payable

Aug 9	200	Aug 2	500
		Aug 31	300

Principle, capital

		Aug 1	48,000
		Aug 31	48,000

Service revenue

	Aug 6	4,400	
	17	2,200	
	Aug 31	6,600	

Salary expense

Aug 31	1,900		
Aug 31	1,900		

Rent expense

Aug 31	700		
Aug 31	700		

Req. 2

Principe Technology Solutions		
Trial Balance		
August 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$4,200	
Accounts receivable	600	
Supplies	500	
Building	47,000	
Accounts payable		\$ 300
Principe, capital		48,000
Service revenue		6,600
Salary expense	1,900	
Rent expense	700	
Total	<u>\$54,900</u>	<u>\$54,900</u>

Req. 1

Atkins Moving Company		
Trial Balance		
August 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 4,000	
Accounts receivable	8,800	
Supplies	300	
Trucks	132,000	
Building	48,000	
Accounts payable		\$ 4,000
Note payable		54,000
Atkins, capital		72,000
Atkins, drawing	5,400	
Service revenue		80,000
Salary expense	7,000	
Fuel expense	3,000	
Insurance expense	600	
Utilities expense	500	
Supplies expense	400	
Total	<u>\$210,000</u>	<u>\$210,000</u>

Req. 1

Joy McDowell Tutoring Service		
Trial Balance		
May 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 3,500*	
Accounts receivable	1,500*	
Supplies	600	
Computer equipment	25,800	
Accounts payable		\$12,700*
McDowell, capital		12,200*
Service revenue		9,800
Salary expense	1,700	
Rent expense	700	
Utilities expense	900*	
Total	<u>\$34,700</u>	<u>\$34,700</u>

*Calculations:

Cash: $\$3,000 + \$500 = \$3,500$

Accounts receivable: $\$2,000 - \$500 = \$1,500$

Accounts payable: $\$11,400 + \$900 + \$400 = \$12,700$

McDowell, capital: $\$11,600 + \$600 = \$12,200$

Utilities expense: $\$500 + \$400 = \$900$

Problems

Group A

(10-15 min.) P 2-27A

Req. 1

Req. 2

Account	Account Type	Normal Balance
Cash	Asset	Debit
Supplies	Asset	Debit
Building	Asset	Debit
Accounts payable	Liability	Credit
Notes payable	Liability	Credit
Coughlato, capital	Equity	Credit
Coughlato, drawing	Equity	Debit
Service revenue	Revenue	Credit
Salary expense	Expense	Debit
Rent expense	Expense	Debit
Property tax expense	Expense	Debit

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	1	Cash		370,000	
		Coughiato, capital			370,000
	2	Building		360,000	
		Cash			360,000
	5	Cash		260,000	
		Note payable			260,000
	10	Supplies		1,400	
		Accounts payable			1,400
	15	Accounts payable		1,200	
		Cash			1,200
	15	Property tax expense		1,500	
		Cash			1,500
	16	Salary expense		2,500	
		Rent expense		1,400	
		Cash			3,900
	28	Coughiato, drawing		7,000	
		Cash			7,000
	30	Cash		21,000	
		Service revenue			21,000

(continued) P 2-28A

Req. 2

Cash			
Sep 1	370,000	Sep 2	360,000
5	260,000	15	1,200
30	21,000	15	1,500
		16	3,900
		28	7,000
Bal	277,400		

Accounts payable			
Sep 15	1,200	Sep 10	1,400
		Bal	200

Notes Payable			
		Sep 5	260,000
		Bal	260,000

Supplies		
Sep 10	1,400	
Bal	1,400	

Cougliato, capital		
	Sep 1	370,000
	Bal	370,000

Building		
Sep 2	360,000	
Bal	360,000	

Service revenue		
	Sep 30	21,000
	Bal	21,000

Cougliato, drawing		
Sep 28	7,000	
Bal	7,000	

Salary expense		
Sep 6	2,500	
Bal	2,500	

Property tax expense		
Sep 15	1,500	
Bal	1,500	

Rent expense		
Sep 16	1,400	
Bal	1,400	

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul	1	Cash		68,000	
		Yung, capital			68,000
	5	Rent expense - equipment		560	
		Cash			560
	9	Land		16,000	
		Cash			16,000
	10	Supplies		1,600	
		Accounts payable			1,600
	19	Cash		23,000	
		Note payable			23,000
	22	Accounts payable		1,300	
		Cash			1,300
	31	Cash		6,500	
		Accounts receivable		5,800	
		Service revenue			12,300
	31	Salary expense		2,500	
		Rent expense - office		1,100	
		Utilities expense		400	
		Cash			4,000
	31	Yung, drawing		7,000	
		Cash			7,000

Req. 2

Cash			
Jul 1	68,000	Jul 5	560
19	23,000	9	16,000
31	6,500	22	1,300
		31	4,000
		31	7,000
Bal	68,640		

Accounts receivable		
Jul 31	5,800	
Bal	5,800	

Supplies		
Jul 10	1,600	
Bal	1,600	

Land		
Jul 9	16,000	
Bal	16,000	

Accounts payable		
Jul 22	1,300	July 10 1,600
		Bal 300

Notes payable		
	Jul 19	23,000
	Bal	23,000

Yung, capital		
	Jul 1	68,000
	Bal	68,000

Yung, drawing		
Jul 31	7,000	
Bal	7,000	

Service revenue		
	Jul 31	12,300
	Bal	12,300

Rent expense - equipment		
Jul 5	560	
Bal	560	

Rent expense - office		
Jul 31	1,100	
Bal	1,100	

Salary expense		
Jul 31	2,500	
Bal	2,500	

Utility expense		
Jul 31	400	
Bal	400	

Req. 3

Vernon Yung, M.D.		
Trial Balance		
July 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 68,640	
Accounts receivable	5,800	
Supplies	1,600	
Land	16,000	
Accounts payable		\$ 300
Note payable		23,000
Yung, capital		68,000
Yung, drawing	7,000	
Service revenue		12,300
Salary expense	2,500	
Rent expense - office	1,100	
Rent expense - equipment	560	
Utilities expense	400	
Total	<u>\$103,600</u>	<u>\$103,600</u>

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	1	Cash		42,000	
		Stewart, capital			42,000
	4	Supplies		700	
		Furniture		1,900	
		Accounts payable			2,600
	6	Cash		1,400	
		Service revenue			1,400
	7	Land		24,000	
		Cash			24,000
	10	Accounts receivable		1,000	
		Service revenue			1,000
	14	Accounts payable		1,900	
		Cash			1,900
	15	Salary expense		490	
		Cash			490
	17	Cash		400	
		Accounts receivable			400
	20	Accounts receivable		700	
		Service revenue			700
	28	Cash		2,100	
		Service revenue			2,100

	30	Salary expense		490	
		Cash			490
	30	Rent expense		650	
		Cash			650
	30	Stewart, drawing		3,000	
		Cash			3,000

Reqs. 1 and 3

Cash		Accounts receivable	
Sep 1	42,000	Sep. 7	24,000
6	1,400	14	1,900
17	400	15	490
28	2,100	30	490
		30	650
		30	3,000
Bal	15,370		

Supplies	
Sep 4	700
Bal	700

Furniture		Land	
Sep 4	1,900	Sep 7	24,000
Bal	1,900	Bal	24,000

Accounts payable		Stewart, capital	
Sep 14	1,900	Sep. 4	2,600
		Bal	700
		Sep 1	42,000
		Bal	42,000

Reqs. 1 and 3

Stewart, drawing	
Sep 30	3,000
Bal	3,000

Service revenue	
Sep 6	1,400
10	1,000
20	700
28	2,100
Bal	5,200

Salary expense	
Sep 15	490
30	490
Bal	980

Rent expense	
Sep 30	650
Bal	650

Req. 4

Doris Stewart, Designer		
Trial Balance		
September 30, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 15,370	
Accounts receivable	1,300	
Supplies	700	
Furniture	1,900	
Land	24,000	
Accounts payable		\$ 700
Stewart, capital		42,000
Stewart, drawing	3,000	
Service revenue		5,200
Salary expense	980	
Rent expense	650	
Total	\$47,900	\$47,900

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	2	Cash		39,000	
		Moore, capital			39,000
	3	Supplies		600	
		Furniture		2,000	
		Accounts payable			2,600
	4	Cash		1,300	
		Service revenue			1,300
	7	Land		26,000	
		Cash			26,000
	11	Accounts receivable		700	
		Service revenue			700
	15	Salary expense		590	
		Cash			590
	16	Accounts payable		600	
		Cash			600
	18	Cash		2,400	
		Service revenue			2,400
	19	Accounts receivable		800	
		Service revenue			800
	29	Cash		700	
		Accounts receivable			700

	30	Salary expense		590	
		Cash			590
	30	Rent expense		670	
		Cash			670
	30	Moore, drawing		2,400	
		Cash			2,400

(continued) P2-31A

Reqs. 1 and 3

Cash				Accounts receivable			
Sep 2	39,000	Sep 7	26,000	Sep 11	700	Sep 29	700
4	1,300	15	590	19	800		
18	2,400	16	600	Bal	800		
29	700	30	590				
		30	670				
		30	2,400				
Bal	12,550						
Furniture				Supplies			
Sep 3	2,000	Sep 3	600	Bal	600		
Bal	2,000						
Accounts payable				Land			
Sep 16	600	Sep 7	26,000	Sep 7	26,000		
		Bal	2,000	Bal	26,000		
Moore, capital				Moore, capital			
		Sep 2	39,000	Sep 2	39,000		
		Bal	39,000	Bal	39,000		

(continued) P2-31A

Moore, drawing	
Sep 30	2,400
Bal	2,400

Service revenue	
Sep 4	1,300
11	700
18	2,400
19	800
Bal	5,200

Salary expense	
Sep 15	590
30	590
Bal	1,180

Rent expense	
Sep 30	670
Bal	670

Req. 4

Trevor Moore, Attorney		
Trial Balance		
September 30, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 12,550	
Accounts receivable	800	
Supplies	600	
Furniture	2,000	
Land	26,000	
Accounts payable		\$ 2,000
Moore, capital		39,000
Moore, drawing	2,400	
Service revenue		5,200
Salary expense	1,180	
Rent expense	670	
Total	\$46,200	\$46,200

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Feb	4	Cash	11	4,000	
		 Accounts receivable	12		4,000
		Received cash on account.			
	8	Accounts receivable	12	4,600	
		 Service revenue	41		4,600
		Performed services on account.			
	13	Accounts payable	21	2,400	
		 Cash	11		2,400
		Paid on account.			
	18	Supplies	13	900	
		 Accounts payable	21		900
		Purchased supplies on account.			
	20	Mitchell, drawing	32	2,200	
		 Cash	11		2,200
		Owner drawing			
	21	Paid for deck for residence;			
		not a transaction of the business.			
	22	Cash	11	2,300	
		 Service revenue	41		2,300
		Performed service for cash.			
	27	Rent expense	52	500	
		 Cash	11		500
		Paid rent.			
	29	Salary expense	51	1,600	
		 Cash	11		1,600
		Paid employee salary.			

Req. 2

ACCOUNT Cash					ACCOUNT NO. 11		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				7,000	
Feb	4			4,000		11,000	
	13				2,400	8,600	
	20				2,200	6,400	
	22			2,300		8,700	
	27				500	8,200	
	29				1,600	6,600	

ACCOUNT Accounts receivable					ACCOUNT NO. 12		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				10,500	
Feb	4				4,000	6,500	
	8			4,600		11,100	

ACCOUNT Supplies					ACCOUNT NO. 13		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				600	
Feb	18			900		1,500	

Req. 2

ACCOUNT		Land				ACCOUNT NO. 14	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				17,000	

ACCOUNT		Accounts payable				ACCOUNT NO. 21	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal					4,700
Feb	13			2,400			2,300
	18				900		3,200

ACCOUNT		Mitchell, capital				ACCOUNT NO. 31	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal					30,400

ACCOUNT		Mitchell, drawing				ACCOUNT NO. 32	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	20			2,200		2,200	

Req. 2

ACCOUNT		Service revenue			ACCOUNT NO. 41		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	8				4,600		4,600
	22				2,300		6,900

ACCOUNT		Salary expense			ACCOUNT NO. 51		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	29			1,600		1,600	

ACCOUNT		Rent expense			ACCOUNT NO. 52		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	27			500		500	

Req. 3

Sam Mitchell, CPA			
Trial Balance			
February 29, 2012			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 6,600	
12	Accounts receivable	11,100	
13	Supplies	1,500	
14	Land	17,000	
21	Accounts payable		\$ 3,200
31	Mitchell, capital		30,400
32	Mitchell, drawing	2,200	
41	Service revenue		6,900
51	Salary expense	1,600	
52	Rent expense	500	
	Total	<u>\$ 40,500</u>	<u>\$ 40,500</u>

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul	4	Cash		6,000	
		Accounts receivable			6,000
		Received cash on account.			
	7	Accounts receivable		6,600	
		Service revenue			6,600
		Performed services on account.			
	16	Supplies		1,000	
		Accounts payable			1,000
		Purchased supplies on account.			
	19	Silver, drawing		2,300	
		Cash			2,300
		Owner drawing			
	20	Accounts payable		2,500	
		Cash			2,500
		Paid on account.			
	24	Cash		2,200	
		Service revenue			2,200
		Performed service for cash.			
	25	Rent expense		500	
		Cash			500
		Paid rent.			
	31	Salary expense		1,700	
		Cash			1,700
		Paid employee salary.			

Req. 2

ACCOUNT Cash					ACCOUNT NO. 11		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				7,000	
Jul	4			6,000		13,000	
	19				2,300	10,700	
	20				2,500	8,200	
	24			2,200		10,400	
	25				500	9,900	
	31				1,700	8,200	

ACCOUNT Accounts receivable					ACCOUNT NO. 12		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				8,500	
Jul	4				6,000	2,500	
	7			6,600		9,100	

ACCOUNT Supplies					ACCOUNT NO. 13		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				800	
Jul	16			1,000		1,800	

Req. 2

ACCOUNT Equipment					ACCOUNT NO. 14		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				13,000	

ACCOUNT Accounts payable					ACCOUNT NO. 21		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					4,800
Jul	16				1,000		5,800
	20			2,500			3,300

ACCOUNT Silver, capital					ACCOUNT NO. 31		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					24,500

ACCOUNT Silver, drawing					ACCOUNT NO. 32		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	19			2,300		2,300	

Req. 2

ACCOUNT		Service revenue				ACCOUNT NO. 41	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	7				6,600		6,600
	24				2,200		8,800

ACCOUNT		Salary expense				ACCOUNT NO. 51	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	31			1,700		1,700	

ACCOUNT		Rent expense				ACCOUNT NO. 52	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	25			500		500	

Req. 3

Sharon Silver, Registered Dietician			
Trial Balance			
July 31, 2012			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 8,200	
12	Accounts receivable	9,100	
13	Supplies	1,800	
14	Equipment	13,000	
21	Accounts payable		\$ 3,300
31	Silver, capital		24,500
32	Silver, drawing	2,300	
41	Service revenue		8,800
51	Salary expense	1,700	
52	Rent expense	500	
	Total	<u>\$36,600</u>	<u>\$36,600</u>

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		48,000	
	Building		30,000	
	Wills, capital			78,000
	Owner investment.			
b.	Office supplies		2,000	
	Accounts payable			2,000
	Purchased supplies on account.			
c.	Office furniture		14,000	
	Cash			14,000
	Purchased furniture.			
d.	Salary expense		2,200	
	Cash			2,200
	Paid salary.			
e.	Accounts receivable		3,700	
	Service revenue			3,700
	Performed service on account.			
f.	Accounts payable		900	
	Cash			900
	Paid on account.			
g.	Advertising expense		600	
	Accounts payable			600
	Received advertising bill.			

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
h.	Cash		1,100	
	Service revenue			1,100
	Performed service and received cash.			
i.	Cash		1,100	
	Accounts receivable			1,100
	Collected cash on account.			
j.	Rent expense		1,000	
	Utilities expense		900	
	Cash			1,900
	Paid expenses.			
k.	Wills, drawing		2,300	
	Cash			2,300
	Owner's withdrawal			

Reqs . 1 and 3

ACCOUNT Cash					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.			48,000		48,000	
c.				14,000	34,000	
d.				2,200	31,800	
f.				900	30,900	
h.			1,100		32,000	
i.			1,100		33,100	
j.				1,900	31,200	
k.				2,300	28,900	

ACCOUNT Accounts receivable					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
e.			3,700		3,700	
i.				1,100	2,600	

ACCOUNT Office supplies					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
b.			2,000		2,000	

ACCOUNT Office furniture					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
c.			14,000		14,000	

Reqs. 1 and 3

ACCOUNT Building					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.			30,000		30,000	

ACCOUNT Accounts payable					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
b.				2,000		2,000
f.			900			1,100
g.				600		1,700

ACCOUNT Wills, capital					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.				78,000		78,000

ACCOUNT Wills, drawing					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
k.			2,300		2,300	

ACCOUNT Service revenue					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
e.				3,700		3,700
h.				1,100		4,800

Reqs. 1 and 3

ACCOUNT Salary expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
d.				2,200		2,200	

ACCOUNT Rent expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
j.				1,000		1,000	

ACCOUNT Advertising expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
g.				600		600	

ACCOUNT Utilities expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
j.				900		900	

Req. 4

Wills Environmental Consulting Company		
Trial Balance		
February 29, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 28,900	
Accounts receivable	2,600	
Supplies	2,000	
Furniture	14,000	
Building	30,000	
Accounts payable		\$ 1,700
Wills, capital		78,000
Wills, drawing	2,300	
Service revenue		4,800
Salary expense	2,200	
Rent expense	1,000	
Advertising expense	600	
Utilities expense	900	
Total	<u>\$84,500</u>	<u>\$84,500</u>

Req. 1

Smart Tots Child Care		
Trial Balance		
August 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 7,700*	
Accounts receivable	15,000*	
Supplies	1,700*	
Equipment	78,500*	
Accounts payable		\$ 54,000*
Tilley, capital		50,500
Tilley, drawing	2,400	
Service revenue		4,700
Salary expense	3,400*	
Rent expense	500	
Total	<u>\$109,200</u>	<u>\$109,200</u>

***Calculations:**

- a. Cash: $\$6,700 + \$1,000 = \$7,700$
- b. Accounts receivable: $\$7,000 + \$4,000 + \$4,000 = \$15,000$
- c. Supplies: $\$700 + \$1,000 = \$1,700$
- Accounts payable: $\$53,000 + \$1,000 = \$54,000$
- d. Equipment: $\$87,000 - \$8,500 = \$78,500$
- e. Salary expense: $\$3,600 - \$200 = \$3,400$

Req. 1

Treasure Hunt Exploration Company		
Trial Balance		
February 29, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 1,300*	
Accounts receivable	6,360*	
Supplies	1,300*	
Exploration equipment	16,490*	
Computers	49,000	
Accounts payable		\$ 3,700*
Note payable		18,500
Jones, capital		50,000
Jones, drawing	4,000	
Service revenue		10,900*
Salary expense	1,400	
Rent expense	1,480*	
Advertising expense	900	
Utilities expense	870*	
Total	<u>\$83,100</u>	<u>\$83,100</u>

***Calculations:**

- a. Cash: $\$6,300 - \$5,000 = \$1,300$
- b. Rent expense: $\$800 + \$340 + \$340 = \$1,480$
- c. Service revenue: $\$4,100 + \$6,800 = \$10,900$
- d. Accounts receivable: $\$6,000 + (400 - 40 = \$360) = \$6,360$
- e. Utilities expense: $\$800 + \$70 = \$870$
- f. Supplies: $\$400 + \$900 = \$1,300$
- Accounts payable: $\$2,800 + \$900 = \$3,700$
- g. Exploration equipment: $\$22,300 - \$5,810 = \$16,490$

Req. 1

Showtime Amusements Company		
Income Statement		
Month Ended September 30, 2012		
Revenue:		
Service revenue		\$21,000
Expenses:		
Salary expense	\$2,500	
Property tax expense	1,500	
Rent expense	<u>1,400</u>	
Total expenses		<u>5,400</u>
Net income		<u>\$15,600</u>

Req. 2

Showtime Amusements Company	
Statement of Owner's Equity	
Month Ended September 30, 2012	
Cogliato, capital, September 1, 2012	\$ 0
Owner investment	370,000
Net income	<u>15,600</u>
	385,600
Drawing	<u>(7,000)</u>
Cogliato, capital, September 30, 2012	<u>\$378,600</u>

Req. 3

Showtime Amusements Company			
Balance Sheet			
September 30, 2012			
ASSETS		LIABILITIES	
Cash	\$277,400	Accounts payable	\$ 200
Supplies	1,400	Note payable	<u>260,000</u>
Building	360,000	Total liabilities	260,200
		OWNER'S EQUITY	
		Coughliato, capital	<u>378,600</u>
		Total liabilities and	
Total assets	<u>\$638,800</u>	owner's equity	<u>\$638,800</u>

Req. 1

Vernon Yung, M.D.		
Income Statement		
Month Ended July 31, 2012		
Revenue:		
Service revenue		\$12,300
Expenses:		
Salary expense	\$2,500	
Rent expense - office	1,100	
Rent expense - equipment	560	
Utilities expense	<u>400</u>	
Total expenses		<u>4,560</u>
Net income		<u>\$7,740</u>

Req. 2

Vernon Yung, M.D.	
Statement of Owner's Equity	
Month Ended July 31, 2012	
Yung, capital, July 1, 2012	\$ 0
Owner investment	68,000
Net income	<u>7,740</u>
	75,740
Drawing	<u>(7,000)</u>
Yung, capital, July 31, 2012	<u>\$68,740</u>

Req. 3

Vernon Yung, M.D.			
Balance Sheet			
July 31, 2012			
ASSETS		LIABILITIES	
Cash	\$ 68,640	Accounts payable	\$ 300
Accounts receivable	5,800	Note payable	<u>23,000</u>
Supplies	1,600	Total liabilities	23,300
Land	16,000	OWNER'S EQUITY	
		Yung, capital	<u>68,740</u>
		Total liabilities and	
Total assets	<u>\$ 92,040</u>	owner's equity	<u>\$ 92,040</u>

Req. 1

Doris Stewart, Designer		
Income Statement		
Month Ended September 30, 2012		
Revenue:		
Service revenue		<u>\$ 5,200</u>
Expenses:		
Salary expense	\$ 980	
Rent expense	<u>650</u>	
Total expenses		<u>1,630</u>
Net income		<u>\$3,570</u>

Req. 2

Doris Stewart, Designer	
Statement of Owner's Equity	
Month Ended September 30, 2012	
Stewart, capital, September 1, 2012	\$ 0
Owner investment	42,000
Net income	<u>3,570</u>
	45,570
Drawing	<u>(3,000)</u>
Stewart, capital, September 30, 2012	<u>\$42,570</u>

Req. 3

Doris Stewart, Designer			
Balance Sheet			
September 30, 2012			
ASSETS		LIABILITIES	
Cash	\$ 15,370	Accounts payable	\$ 700
Accounts receivable	1,300		
Supplies	700	OWNER'S EQUITY	
Furniture	1,900		
Land	24,000	Stewart, capital	<u>42,570</u>
		Total liabilities and	
Total assets	<u>\$ 43,270</u>	owner's equity	<u>\$43,270</u>

Req. 1

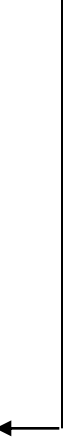
Trevor Moore, Attorney		
Income Statement		
Month Ended September 30, 2012		
Revenue:		
Service revenue		\$ 5,200
Expenses:		
Salary expense	\$1,180	
Rent expense	670	
Total expenses		<u>1,850</u>
Net income		<u>\$ 3,350</u>

Req. 2

Trevor Moore, Attorney	
Statement of Owner's Equity	
Month Ended September 30, 2012	
Moore, capital, September 1, 2012	\$ 0
Owner investment	39,000
Net income	<u>3,350</u>
	42,350
Drawing	<u>(2,400)</u>
Moore, capital, September 30, 2012	<u>\$39,950</u>

Req. 3

Trevor Moore, Attorney			
Balance Sheet			
September 30, 2012			
ASSETS		LIABILITIES	
Cash	\$ 12,550	Accounts payable	\$ 2,000
Accounts receivable	800		
Supplies	600	OWNER'S EQUITY	
Furniture	2,000		
Land	26,000	Moore, capital	<u>39,950</u>
		Total liabilities and	
Total assets	<u>\$ 41,950</u>	owner's equity	<u>\$ 41,950</u>



Req. 1

Sam Mitchell, CPA		
Income Statement		
Month Ended February 29, 2012		
Revenue:		
Service revenue		\$ 6,900
Expenses:		
Salary expense	\$1,600	
Rent expense	500	
Total expenses		<u>2,100</u>
Net income		<u>\$ 4,800</u>

Req. 2

Sam Mitchell, CPA	
Statement of Owner's Equity	
Month Ended February 29, 2012	
Mitchell, capital, February 1, 2012	\$ 0
Owner investment	30,400
Net income	<u>4,800</u>
	35,200
Drawing	<u>(2,200)</u>
Mitchell, capital, February 29, 2012	<u>\$ 33,000</u>

Req. 3

Sam Mitchell, CPA			
Balance Sheet			
February 29, 2012			
ASSETS		LIABILITIES	
Cash	\$ 6,600	Accounts payable	\$ 3,200
Accounts receivable	11,100		
Supplies	1,500	OWNER'S EQUITY	
Land	17,000		
		Mitchell, capital	<u>33,000</u>
		Total liabilities and	
Total assets	<u>\$ 36,200</u>	owner's equity	<u>\$ 36,200</u>

Req. 1

Sharon Silver, Registered Dietician		
Income Statement		
Month Ended July 31, 2012		
Revenue:		
Service revenue		\$ 8,800
Expenses:		
Salary expense	\$1,700	
Rent expense	500	
Total expenses		<u>2,200</u>
Net income		<u>\$ 6,600</u>

Req. 2

Sharon Silver, Registered Dietician	
Statement of Owner's Equity	
Month Ended July 31, 2012	
Silver, capital, July 1, 2012	\$ 0
Owner investment	24,500
Net income	<u>6,600</u>
	31,100
Drawing	<u>(2,300)</u>
Silver, capital, July 31, 2012	<u>\$28,800</u>

Req. 3

Sharon Silver, Registered Dietician			
Balance Sheet			
July 31, 2012			
ASSETS		LIABILITIES	
Cash	\$ 8,200	Accounts payable	\$ 3,300
Accounts receivable	9,100		
Supplies	1,800	OWNER'S EQUITY	
Equipment	13,000	Silver, capital,	<u>28,800</u>
		Total liabilities and	
Total assets	<u>\$ 32,100</u>	owner's equity	<u>\$ 32,100</u>

Req. 1

Wills Environmental Consulting Company		
Income Statement		
Month Ended February 29, 2012		
Revenue:		
Service revenue		\$ 4,800
Expenses:		
Salary expense	\$ 2,200	
Rent expense	1,000	
Utilities expense	900	
Advertising expense	<u>600</u>	
Total expenses		<u>4,700</u>
Net income		<u>\$ 100</u>

Req. 2

Wills Environmental Consulting Company	
Statement of Owner's Equity	
Month Ended February 29, 2012	
Wills, capital, February 1, 2012	\$ 0
Owner investment	78,000
Net income	<u>100</u>
	78,100
Drawing	<u>(2,300)</u>
Wills, capital, February 29, 2012	<u>\$ 75,800</u>

Req. 3

Wills Environmental Consulting Company			
Balance Sheet			
February 29, 2012			
ASSETS		LIABILITIES	
Cash	\$28,900	Accounts payable	\$ 1,700
Accounts receivable	2,600		
Office supplies	2,000	OWNER'S EQUITY	
Office furniture	14,000		
Building	30,000	Wills, capital	75,800
		Total liabilities and	
Total assets	<u>\$77,500</u>	owner's equity	<u>\$ 77,500</u>

Problems

Group B

(10-15 min.) P 2-44B

Reqs. 1 and 2

Account	Account Type	Normal balance
Cash	Asset	Debit
Supplies	Asset	Debit
Building	Asset	Debit
Accounts payable	Liability	Credit
Note payable	Liability	Credit
Smith, capital	Equity	Credit
Smith, drawing	Equity	Debit
Service revenue	Revenue	Credit
Salary expense	Expense	Debit
Rent expense	Expense	Debit
Property tax expense	Expense	Debit

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Aug	1	Cash		400,000	
		Smith, capital			400,000
	2	Building		350,000	
		Cash			350,000
	5	Cash		200,000	
		Notes payable			200,000
	10	Supplies		1,300	
		Accounts payable			1,300
	15	Accounts payable		1,000	
		Cash			1,000
	15	Property tax expense		1,200	
		Cash			1,200
	16	Salary expense		2,700	
		Rent expense		1,700	
		Cash			4,400
	28	Smith, drawing		8,000	
		Cash			8,000
	31	Cash		25,000	
		Service revenue			25,000

Req. 2

Cash			
Aug 1	400,000	Aug 2	350,000
5	200,000	15	1,000
31	25,000	15	1,200
		16	4,400
		28	8,000
Bal	260,400		

Accounts payable			
Aug15	1,000	Aug 10	1,300
		Bal	300

Notes payable			
		Aug 5	200,000
		Bal	200,000

Supplies	
Aug10	1,300
Bal	1,300

Smith, capital	
	Aug 1 400,000
	Bal 400,000

Building	
Aug 2	350,000
Bal	350,000

Service revenue	
	Aug 31 25,000
	Bal 25,000

Smith, drawing	
Aug 28	8,000
Bal	8,000

Salary expense	
Aug 16	2,700
Bal	2,700

Property tax expense	
Aug 15	1,200
Bal	1,200

Rent expense	
Aug 16	1,700
Bal	1,700

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Mar	1	Cash		74,000	
		Rockford, capital			74,000
	5	Rent expense		560	
		Cash			560
	9	Land		24,000	
		Cash			24,000
	10	Supplies		1,300	
		Accounts payable			1,300
	19	Cash		19,000	
		Note payable			19,000
	22	Accounts payable		900	
		Cash			900
	31	Cash		7,100	
		Accounts receivable		4,700	
		Service revenue			11,800
	31	Salary expense		2,000	
		Rent expense		1,600	
		Utilities expense		320	
		Cash			3,920
	31	Rockford, drawing		8,000	
		Cash			8,000

Req. 2

Cash

Mar 1	74,000	Mar 5	560
19	19,000	9	24,000
31	7,100	22	900
		31	3,920
		31	8,000
Bal	62,720		

Accounts receivable

Mar 31	4,700
Bal	4,700

Supplies

Mar 10	1,300
Bal	1,300

Land

Mar 9	24,000
Bal	24,000

Accounts payable

Mar 22	900	Mar 10	1,300
		Bal	400

Notes payable

	Mar 19	19,000
	Bal	19,000

Rockford, capital

	Mar 1	74,000
	Bal	74,000

Rockford, drawing

Mar 31	8,000
Bal	8,000

Service revenue

	Mar 31	11,800
	Bal	11,800

Salary expense

Mar 31	2,000
Bal	2,000

Rent expense

Mar 5	560
31	1,600
Bal	2,160

Utility expense

Mar 31	320
Bal	320

Req. 3

Vince Rockford, M.D.		
Trial Balance		
March 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 62,720	
Accounts receivable	4,700	
Supplies	1,300	
Land	24,000	
Accounts payable		\$ 400
Note payable		19,000
Rockford, capital		74,000
Rockford, drawing	8,000	
Service revenue		11,800
Salary expense	2,000	
Rent expense	2,160	
Utilities expense	320	
Total	<u>\$105,200</u>	<u>\$105,200</u>

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Nov	1	Cash		34,000	
		Yung, capital			34,000
	4	Supplies		500	
		Furniture		1,900	
		Accounts payable			2,400
	6	Cash		1,200	
		Service revenue			1,200
	7	Land		25,000	
		Cash			25,000
	10	Accounts receivable		1,200	
		Service revenue			1,200
	14	Accounts payable		1,900	
		Cash			1,900
	15	Salary expense		540	
		Cash			540
	17	Cash		500	
		Accounts receivable			500
	20	Accounts receivable		800	
		Service revenue			800
	28	Cash		2,200	
		Service revenue			2,200

(continued) P 2-47B

	30	Salary expense		540	
		Cash			540
	30	Rent expense		830	
		Cash			830
	30	Yung, drawing		2,700	
		Cash			2,700

Req. 2

Cash				Accounts receivable			
Nov 1	34,000	Nov 7	25,000	Nov 10	1,200	Nov 17	500
6	1,200	14	1,900	20	800		
17	500	15	540	Bal	1,500		
28	2,200	30	540				
		30	830				
		30	2,700				
Bal	6,390						
Furniture				Supplies			
Nov 4	1,900	Nov 4	500				
Bal	1,900	Bal	500				
Accounts payable				Land			
Nov 14	1,900	Nov 7	25,000				
		Bal	25,000				
Yung, capital				Yung, capital			
		Nov 1	34,000				
		Bal	34,000				

Req. 2

Yung, drawing		Service revenue	
Nov 30	2,700	Nov 6	1,200
Bal	2,700	10	1,200
		20	800
		28	2,200
		Bal	5,400

Salary expense		Rent expense	
Nov 15	540	Nov 30	830
30	540	Bal	830
Bal	1,080		

Req. 3

Beth Yung, Designer		
Trial Balance		
November 30, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 6,390	
Accounts receivable	1,500	
Supplies	500	
Furniture	1,900	
Land	25,000	
Accounts payable		\$ 500
Yung, capital		34,000
Yung, drawing	2,700	
Service revenue		5,400
Salary expense	1,080	
Rent expense	830	
Total	\$ 39,900	\$ 39,900

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Apr	2	Cash		32,000	
		Smith, capital			32,000
	3	Supplies		500	
		Furniture		2,000	
		Accounts payable			2,500
	4	Cash		1,900	
		Service revenue			1,900
	7	Land		24,000	
		Cash			24,000
	11	Accounts receivable		1,100	
		Service revenue			1,100
	15	Salary expense		460	
		Cash			460
	16	Accounts payable		500	
		Cash			500
	18	Cash		1,700	
		Service revenue			1,700
	19	Accounts receivable		700	
		Service revenue			700
	29	Cash		800	
		Accounts receivable			800

	30	Salary expense		460	
		Cash			460
	30	Rent expense		730	
		Cash			730
	30	Smith, drawing		2,700	
		Cash			2,700

(continued) P 2-48B

Req. 2

Cash			
Apr 2	32,000	Apr 7	24,000
4	1,900	15	460
18	1,700	16	500
29	800	30	460
		30	730
		30	2,700
Bal	7,550		

Accounts receivable			
Apr 11	1,100	Apr 29	800
19	700		
Bal	1,000		

Supplies	
Apr 3	500
Bal	500

Furniture	
Apr 3	2,000
Bal	2,000

Land	
Apr 7	24,000
Bal	24,000

Accounts payable			
Apr. 16	500	Apr 3	2,500
		Bal	2,000

Smith, capital			
		Apr 2	32,000
		Bal	32,000

Req. 2

Smith, drawing		Service revenue	
Apr 30	2,700	Apr 4	1,900
Bal	2,700	11	1,100
		18	1,700
		19	700
		Bal	5,400

Salary expense		Rent expense	
Apr 15	460	Apr 30	730
30	460	Bal	730
Bal	920		

Req. 3

Vince Smith, Attorney		
Trial Balance		
April 30, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 7,550	
Accounts receivable	1,000	
Supplies	500	
Furniture	2,000	
Land	24,000	
Accounts payable		\$ 2,000
Smith, capital		32,000
Smith, drawing	2,700	
Service revenue		5,400
Salary expense	920	
Rent expense	730	
Total	\$ 39,400	\$ 39,400

Req. 1

Journal					Page 3
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Apr	4	Cash		7,000	
		Accounts receivable			7,000
		Received cash on account.			
	8	Accounts receivable		5,000	
		Service revenue			5,000
		Performed services on account.			
	13	Accounts payable		2,500	
		Cash			2,500
		Paid on account.			
	18	Supplies		600	
		Accounts payable			600
		Purchased supplies on account.			
	20	Hilton, drawing		2,300	
		Cash			2,300
		Owner drawing			
	21	Not a transaction of the business			
	22	Cash		2,100	
		Service revenue			2,100
		Performed service for cash.			
	27	Rent expense		300	
		Cash			300
		Paid rent.			
	28	Salary expense		1,300	
		Cash			1,300
		Paid employee salary.			

Req. 2

ACCOUNT Cash					ACCOUNT NO. 11		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal				5,000	
Apr	4			7,000		12,000	
	13				2,500	9,500	
	20				2,300	7,200	
	22			2,100		9,300	
	27				300	9,000	
	29				1,300	7,700	

ACCOUNT Accounts receivable					ACCOUNT NO. 12		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal				8,100	
Apr	4				7,000	1,100	
	8			5,000		6,100	

ACCOUNT Supplies					ACCOUNT NO. 13		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal				800	
Apr	18			600		1,400	

Req. 2

ACCOUNT		Land				ACCOUNT NO. 14	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal				14,000	

ACCOUNT		Accounts payable				ACCOUNT NO. 21	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal					4,200
Apr	13			2,500			1,700
	18				600		2,300

ACCOUNT		Hilton, capital				ACCOUNT NO. 31	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Mar	31	Bal					23,700

ACCOUNT		Hilton, drawing				ACCOUNT NO. 32	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Apr	20			2,300		2,300	

Req. 2

ACCOUNT		Service revenue			ACCOUNT NO. 41		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Apr	8				5,000		5,000
	22				2,100		7,100

ACCOUNT		Salary expense			ACCOUNT NO. 51		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Apr	28			1,300		1,300	

ACCOUNT		Rent expense			ACCOUNT NO. 52		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Apr	27			300		300	

Req. 3

John Hilton, CPA			
Trial Balance			
March 31, 2012			
Account No.	Account	Debit	Credit
11	Cash	\$ 7,700	
12	Accounts receivable	6,100	
13	Supplies	1,400	
14	Land	14,000	
21	Accounts payable		\$ 2,300
31	Hilton, capital		23,700
32	Hilton, drawing	2,300	
41	Service revenue		7,100
51	Salary expense	1,300	
52	Rent expense	300	
	Total	<u>\$33,100</u>	<u>\$33,100</u>

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul	4	Cash		7,000	
		 Accounts receivable			7,000
		Received cash on account.			
	7	Accounts receivable		4,900	
		 Service revenue			4,900
		Performed services on account.			
	16	Supplies		800	
		 Accounts payable			800
		Purchased supplies on account.			
	19	Peters, drawing		2,200	
		 Cash			2,200
		Owner drawing			
	20	Accounts payable		2,300	
		 Cash			2,300
		Paid on account.			
	24	Cash		2,100	
		 Service revenue			2,100
		Performed service for cash.			
	25	Rent expense		300	
		 Cash			300
		Paid rent.			
	31	Salary expense		1,500	
		 Cash			1,500
		Paid employee salary.			

Req. 2

ACCOUNT Cash					ACCOUNT NO. 11		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				4,000	
Jul	4			7,000		11,000	
	19				2,200	8,800	
	20				2,300	6,500	
	24			2,100		8,600	
	25				300	8,300	
	31				1,500	6,800	

ACCOUNT Accounts receivable					ACCOUNT NO. 12		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				7,600	
Jul	4				7,000	600	
	7			4,900		5,500	

ACCOUNT Supplies					ACCOUNT NO. 13		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				600	
Jul	16			800		1,400	

Req. 2

ACCOUNT Equipment					ACCOUNT NO. 14		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				16,000	

ACCOUNT Accounts payable					ACCOUNT NO. 21		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					5,200
Jul	16				800		6,000
	20			2,300			3,700

ACCOUNT Peters, capital					ACCOUNT NO. 31		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					23,000

ACCOUNT Peters, drawing					ACCOUNT NO. 32		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	19			2,200		2,200	

Req. 2

ACCOUNT		Service revenue			ACCOUNT NO. 41		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	7				4,900		4,900
	24				2,100		7,000

ACCOUNT		Salary expense			ACCOUNT NO. 51		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	31			1,500		1,500	

ACCOUNT		Rent expense			ACCOUNT NO. 52		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	25			300		300	

Req. 3

Shermana Peters, Registered Dietician			
Trial Balance			
July 31, 2012			
Account No.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 6,800	
12	Accounts receivable	5,500	
13	Supplies	1,400	
14	Equipment	16,000	
21	Accounts payable		\$ 3,700
31	Peters, capital		23,000
32	Peters, drawing	2,200	
41	Service revenue		7,000
51	Salary expense	1,500	
52	Rent expense	300	
	Total	<u>\$33,700</u>	<u>\$33,700</u>

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		40,000	
	Building		26,000	
	Stubbs, capital			66,000
	Owner investment.			
b.	Office supplies		2,400	
	Accounts payable			2,400
	Purchased supplies on account.			
c.	Office furniture		18,000	
	Cash			18,000
	Purchased furniture for cash.			
d.	Salary expense		1,900	
	Cash			1,900
	Paid salary.			
e.	Accounts receivable		3,600	
	Service revenue			3,600
	Performed service on account.			
f.	Accounts payable		500	
	Cash			500
	Paid on account.			
g.	Advertising expense		300	
	Accounts payable			300
	Received advertising bill.			

Req. 2 (continued)

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
h.		Cash		800	
		Service revenue			800
		Performed service and received cash.			
i.		Cash		1,400	
		Accounts receivable			1,400
		Collected cash on account.			
j.		Rent expense		700	
		Utilities expense		500	
		Cash			1,200
		Paid expenses.			
k.		Stubbs, drawing		2,400	
		Cash			2,400
		Owner drawing			

Reqs. 1 and 3

ACCOUNT Cash					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.			40,000		40,000	
c.				18,000	22,000	
d.				1,900	20,100	
f.				500	19,600	
h.			800		20,400	
i.			1,400		21,800	
j.				1,200	20,600	
k.				2,400	18,200	

ACCOUNT Accounts receivable					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
e.			3,600		3,600	
i.				1,400	2,200	

ACCOUNT Office supplies					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
b.			2,400		2,400	

ACCOUNT Office furniture					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
c.			18,000		18,000	

Reqs. 1 and 3

ACCOUNT Building					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.			26,000		26,000	

ACCOUNT Accounts payable					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
b.				2,400		2,400
f.			500			1,900
g.				300		2,200

ACCOUNT Stubbs, capital					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
a.				66,000		66,000

ACCOUNT Stubbs, drawing					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
k.			2,400		2,400	

ACCOUNT Service revenue					ACCOUNT NO.	
DATE	ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
e.				3,600		3,600
h.				800		4,400

Resq. 1 and 3

ACCOUNT Salary expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
d.				1,900		1,900	

ACCOUNT Rent expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
j.				700		700	

ACCOUNT Advertising expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
g.				300		300	

ACCOUNT Utilities expense					ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
j.				500		500	

Req. 4

Stubbs Environmental Consulting Company		
Trial Balance		
October 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 18,200	
Accounts receivable	2,200	
Office supplies	2,400	
Office furniture	18,000	
Building	26,000	
Accounts payable		\$ 2,200
Stubbs, capital		66,000
Stubbs, drawing	2,400	
Service revenue		4,400
Salary expense	1,900	
Rent expense	700	
Advertising expense	300	
Utilities expense	500	
Total	<u>\$72,600</u>	<u>\$72,600</u>

Req. 1

Building Blocks Child Care		
Trial Balance		
May 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 10,300*	
Accounts receivable	7,000*	
Supplies	1,900*	
Equipment	87,700*	
Accounts payable		\$ 58,200*
Estella, capital		50,400
Estella, drawing	2,600	
Service revenue		4,700
Salary expense	3,100*	
Rent expense	700	
Total	<u>\$113,300</u>	<u>\$113,300</u>

***Calculations:**

- a. Cash: $\$6,300 + \$4,000 = \$10,300$
- b. Accounts receivable: $\$3,000 + \$2,000 + \$2,000 = \$7,000$
- c. Supplies: $\$700 + \$1,200 = \$1,900$
- Accounts payable: $\$57,000 + \$1,200 = \$58,200$
- d. Equipment: $\$88,000 - \$10,800 = \$87,700$
- e. Salary expense: $\$3,200 - \$100 = \$3,100$

Req. 1

Treasure Hunt Exploration Company		
Trial Balance		
July 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 5,600*	
Accounts receivable	9,450*	
Supplies	800*	
Exploration equipment	17,160*	
Computers	46,000	
Accounts payable		\$ 3,500*
Note payable		18,900
Indiana, capital		50,100
Indiana, drawing	1,000	
Service revenue		10,900*
Salary expense	1,800	
Rent expense	700*	
Advertising expense	100	
Utilities expense	790*	
Total	<u>\$83,400</u>	<u>\$83,400</u>

***Calculations:**

- a. Cash: $\$6,600 - \$1,000 = \$5,600$
- b. Rent expense: $\$100 + \$300 + \$300 = \700
- c. Service revenue: $\$4,900 + \$6,000 = \$10,900$
- d. Accounts receivable: $\$9,000 + \$450 = \$9,450$
- e. Utilities expense: $\$700 + \$90 = \$790$
- f. Supplies: $\$200 + \$600 = \$800$
- Accounts payable: $\$2,900 + \$600 = \$3,500$
- g. Exploration equipment: $\$22,600 - \$5,440 = \$17,160$

Req. 1

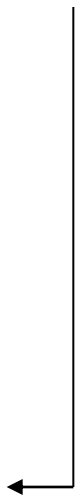
Party Time Amusements Company		
Income Statement		
Month Ended August 31, 2012		
Revenue:		
Service revenue		\$ 25,000
Expenses:		
Salary expense	\$ 2,700	
Rent expense	1,700	
Property tax expense	<u>1,200</u>	
Total expenses		<u>5,600</u>
Net income		<u>\$19,400</u>

Req. 2

Party Time Amusements Company	
Statement of Owner's Equity	
Month Ended August 31, 2012	
Smith, capital, August 1, 2012	\$ 0
Owner investment	400,000
Net income	<u>19,400</u>
	419,400
Drawing	<u>(8,000)</u>
Smith, capital, August 31, 2012	<u>\$411,400</u>

Req. 3

Party Time Amusements Company			
Balance Sheet			
August 31, 2012			
ASSETS		LIABILITIES	
Cash	\$260,300	Accounts payable	\$ 200
Supplies	1,300	Notes payable	<u>200,000</u>
Building	350,000	Total liabilities	200,200
		OWNER'S EQUITY	
		Smith, capital	<u>411,400</u>
		Total liabilities and	
Total assets	<u>\$611,600</u>	owner's equity	<u>\$611,600</u>



Req. 1

Vince Rockford, M.D.		
Income Statement		
Month Ended March 31, 2012		
Revenue:		
Service revenue		\$ 11,800
Expenses:		
Rent expense	\$2,160	
Salary expense	2,000	
Utilities expense	<u>320</u>	
Total expenses		<u>4,480</u>
Net income		<u>\$7,320</u>

Req. 2

Vince Rockford, M.D.	
Statement of Owner's Equity	
Month Ended March 31, 2012	
Rockford capital, March 1, 2012	\$ 0
Owner investment	74,000
Net income	<u>7,320</u>
	81,320
Drawing	<u>(8,000)</u>
Rockford capital, March 31, 2012	<u>\$ 73,320</u>

Req. 3

Vince Rockford, M.D.			
Balance Sheet			
March 31, 2012			
ASSETS		LIABILITIES	
Cash	\$ 62,720	Accounts payable	\$ 400
Accounts receivable	4,700	Notes payable	<u>19,000</u>
Supplies	1,300	Total liabilities	19,400
Land	24,000		
		OWNER'S EQUITY	
		Rockford, capital	<u>73,320</u>
		Total liabilities and	
Total assets	<u>\$ 92,720</u>	owner's equity	<u>\$ 92,720</u>

Req. 1

Beth Yung, Designer		
Income Statement		
Month Ended November 30, 2012		
Revenue:		
Service revenue		\$ 5,400
Expenses:		
Salary expense	\$ 1,080	
Rent expense	830	
Total expenses		<u>1,910</u>
Net income		<u>\$3,490</u>

Req. 2

Beth Yung, Designer	
Statement of Owner's Equity	
Month Ended November 30, 2012	
Yung, capital, November 1, 2012	\$ 0
Owner investment	34,000
Net income	<u>3,490</u>
	37,490
Drawing	(2,700)
Yung, capital, November 30, 2012	<u>\$ 34,790</u>

Req. 3

Beth Yung, Designer			
Balance Sheet			
November 30, 2012			
ASSETS		LIABILITIES	
Cash	\$ 6,390	Accounts payable	\$ <u>500</u>
Accounts receivable	1,500		
Supplies	500	OWNER'S EQUITY	
Furniture	1,900		
Land	25,000	Yung, capital	<u>34,790</u>
		Total liabilities and	
Total assets	<u>\$ 35,290</u>	owner's equity	<u>\$ 35,290</u>

Req. 1

Vince Smith, Attorney		
Income Statement		
Month Ended April 30, 2012		
Revenue:		
Service revenue		\$ 5,400
Expenses:		
Salary expense	\$ 920	
Rent expense	730	
Total expenses		<u>1,650</u>
Net income		<u>\$ 3,750</u>

Req. 2

Vince Smith, Attorney	
Statement of Owner's Equity	
Month Ended April 30, 2012	
Smith, capital, April 1, 2012	\$ 0
Owner investment	32,000
Net income	<u>3,750</u>
	35,750
Drawing	<u>(2,700)</u>
Smith capital, April 30, 2012	<u>\$33,050</u>

Req. 3

Vince Smith, Attorney			
Balance Sheet			
April 30, 2012			
ASSETS		LIABILITIES	
Cash	\$ 7,550	Accounts payable	\$ <u>2,000</u>
Accounts receivable	1,000		
Supplies	500	OWNER'S EQUITY	
Furniture	2,000		
Land	24,000	Smith, capital	<u>33,050</u>
		Total liabilities and	
Total assets	<u>\$ 35,050</u>	owner's equity	<u>\$ 35,050</u>



Req. 1

John Hilton, CPA		
Income Statement		
Month Ended April 30, 2012		
Revenue:		
Service revenue		<u>\$ 7,100</u>
Expenses:		
Salary expense	\$1,300	
Rent expense	<u>300</u>	
Total expenses		<u>1,600</u>
Net income		<u>\$5,500</u>

Req. 2

John Hilton, CPA	
Statement of Owner's Equity	
Month Ended April 30, 2012	
Hilton, capital, April 1, 2012	\$ 0
Owner investment	23,700
Net income	<u>5,500</u>
	29,200
Drawing	<u>(2,300)</u>
Hilton, capital, April 30, 2012	<u>\$26,900</u>

Req. 3

John Hilton, CPA			
Balance Sheet			
April 30, 2012			
ASSETS		LIABILITIES	
Cash	\$ 7,700	Accounts payable	\$2,300
Accounts receivable	6,100		
Supplies	1,400	OWNER'S EQUITY	
Land	14,000	Hilton, capital	<u>26,900</u>
		Total liabilities and	
Total assets	<u>\$29,200</u>	owner's equity	<u>\$29,200</u>



Req. 1

Shermana Peters, Registered Dietician		
Income Statement		
Month Ended July 31, 2012		
Revenue:		
Service revenue		\$7,000
Expenses:		
Salary expense	\$1,500	
Rent expense	<u>300</u>	
Total expenses		<u>1,800</u>
Net income		<u>\$5,200</u>

Req. 2

Shermana Peters, Registered Dietician	
Statement of Owner's Equity	
Month Ended July 31, 2012	
Peters, capital, July 1, 2012	\$ 0
Owner investment	23,000
Net income	<u>5,200</u>
	28,200
Drawing	<u>(2,200)</u>
Peters, capital, July 31, 2012	<u>\$26,000</u>

Req. 3

Shermana Peters, Registered Dietician			
Balance Sheet			
July 31, 2012			
ASSETS		LIABILITIES	
Cash	\$ 6,800	Accounts payable	\$ 3,700
Accounts receivable	5,500		
Supplies	1,400	OWNER'S EQUITY	
Equipment	16,000	Peters, capital	<u>26,000</u>
		Total liabilities and	
Total assets	<u>\$29,700</u>	owner's equity	<u>\$29,700</u>

Req. 1

Stubbs Environmental Consulting Company		
Income Statement		
Month Ended October 31, 2012		
Revenue:		
Service revenue		<u>\$4,400</u>
Expenses:		
Salary expense	\$1,900	
Rent expense	700	
Utilities expense	500	
Advertising expense	<u>300</u>	
Total expenses		<u>3,400</u>
Net income		<u>\$1,000</u>

Req. 2

Stubbs Environmental Consulting Company	
Statement of Owner's Equity	
Month Ended October 31, 2012	
Stubbs, capital, October 1, 2012	\$ 0
Owner investment	66,000
Net income	<u>1,000</u>
	67,000
Drawing	<u>(2,400)</u>
Stubbs, capital, October 31, 2012	<u>\$64,600</u>

Req. 3

Stubbs Environmental Consulting Company			
Balance Sheet			
October 31, 2012			
ASSETS		LIABILITIES	
Cash	\$ 18,200	Accounts payable	\$2,200
Accounts receivable	2,200		
Office supplies	2,400	OWNER'S EQUITY	
Office furniture	18,000		
Building	26,000	Stubbs, capital	<u>64,600</u>
		Total liabilities and	
Total assets	<u>\$ 66,800</u>	owner's equity	<u>\$66,800</u>



Continuing Exercise

(30-45 min.) E 2-61

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
May	1	Cash		1,700	
		Lawlor, capital			1,700
	3	Equipment		1,440	
		Accounts payable			1,440
	5	Fuel expense		30	
		Cash			30
	6	Accounts receivable		150	
		Service revenue			150
	8	Lawn supplies		150	
		Cash			150
	17	Cash		800	
		Service revenue			800
	31	Cash		100	
		Accounts receivable			100

Reqs. 1 and 3

Cash			
May 1	1,700	May 5	30
17	800	8	150
31	100		
Bal	2,420		

Accounts receivable			
May 6	150	May 31	100
Bal	50		

Lawn supplies			
May 8	150		
Bal	150		

Equipment			
May 3	1,440		
Bal	1,440		

Accounts payable			
		May 3	1,440
		Bal	1,440

Lawlor, capital			
		May 1	1,700
		Bal	1,700

Service revenue			
		May 6	150
		17	800
		Bal	950

Fuel expense			
May 5	30		
Bal	30		

Req. 4

Lawlor Lawn Service		
Trial Balance		
May 31, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 2,420	
Accounts receivable	50	
Lawn supplies	150	
Equipment	1,440	
Accounts payable		\$1,440
Lawlor, capital		1,700
Service revenue		950
Fuel expense	30	
Total	<u>\$ 4,090</u>	<u>\$4,090</u>

Continuing Problem

(40-50 min.) P 2-62

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec	2	Cash		18,000	
		Draper, capital			18,000
	2	Rent expense		550	
		Cash			550
	3	Equipment		1,800	
		Cash			1,800
	4	Furniture		4,200	
		Accounts payable			4,200
	5	Supplies		900	
		Accounts payable			900
	9	Accounts receivable		1,500	
		Service revenue			1,500
	12	Utilities expense		250	
		Cash			250
	18	Cash		1,100	
		Service revenue			1,100

Reqs. 1 and 3

Cash			
Dec 2	18,000	Dec 2	550
18	1,100	3	1,800
		12	250
Bal	16,500		

Accounts receivable			
Dec 9	1,500		
Bal	1,500		

Supplies			
Dec 5	900		
Bal	900		

Equipment			
Dec 3	1,800		
Bal	1,800		

Furniture			
Dec 4	4,200		
Bal	4,200		

Accounts payable			
		Dec 4	4,200
		5	900
		Bal	5,100

Draper, capital			
		Dec 2	18,000
		Bal	18,000

Utilities expense			
Dec 12	250		
Bal	250		

Service revenue			
		Dec 9	1,500
		18	1,100
		Bal	2,600

Rent expense			
Dec 2	550		
Bal	550		

Req.4

Draper Consulting		
Trial Balance		
December 18, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$16,500	
Accounts receivable	1,500	
Supplies	900	
Equipment	1,800	
Furniture	4,200	
Accounts payable		\$ 5,100
Draper, capital		18,000
Service revenue		2,600
Rent expense	550	
Utilities expense	250	
Total	<u>\$25,700</u>	<u>\$25,700</u>

PRACTICE SET: Chapter 2

(45-60 min.)

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST REF.	DEBIT	CREDIT
Nov	1	Cash		35,000	
		Truck		8,000	
		Hudson, capital			43,000
	2	Prepaid rent		2,000	
		Cash			2,000
	3	Prepaid insurance		2,400	
		Cash			2,400
	4	Supplies		270	
		Accounts payable			270
	5	Equipment		1,000	
		Accounts payable			1,000
	7	Equipment		1,200	
		Cash			1,200
	9	Accounts receivable		3,000	
		Service revenue			3,000
	10	Cash		100	
		Accounts receivable			100
	15	Contract labor expense		500	
		Cash			500
	16	Cash		3,600	
		Unearned service revenue			3,600

(continued) Practice set

Req. 2 (continued)

Accounts receivable

Nov 9	3,000	Nov 10	100
		21	900
Bal	2,000		

Supplies

Nov 4	270		
Bal	270		

Prepaid rent

Nov 2	2,000		
Bal	2,000		

Prepaid insurance

Nov 3	2,400		
Bal	2,400		

Truck

Nov 1	8,000		
Bal	8,000		

Equipment

Nov 5	1,000		
7	1,200		
Bal	2,200		

Advertising expense

Nov 29	100		
Bal	100		

Note payable

	Nov 20	40,000
	Bal	40,000

Hudson, capital

	Nov 1	43,000
	Bal	43,000

Hudson, drawing

Nov 30	600	
Bal	600	

Service revenues

	Nov 9	3,000
	17	800
	Bal	3,800

Contract labor expense

Nov 15	500	
Bal	500	

Utilities expense

Nov 18	175	
Bal	175	

(continued) Practice set

Req. 3

Shine King Cleaning		
Trial Balance		
November 30, 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 73,100	
Accounts receivable	2,000	
Supplies	270	
Prepaid rent	2,000	
Prepaid insurance	2,400	
Truck	8,000	
Equipment	2,200	
Accounts payable		\$ 945
Unearned service revenue		3,600
Note payable		40,000
Hudson, capital		43,000
Hudson, drawing	600	
Service revenue		3,800
Contract labor expense	500	
Utilities expense	175	
Advertising expense	100	
Total	<u>\$91,345</u>	<u>\$91,345</u>

Ch 2: Apply Your Knowledge

Decision Cases

Decision Case 2-1

Reqs. 1 and 2

Cash	
(a) 10,000	(b) 300
(f) 1,200	(d) 2,500
Bal 8,400	

Accounts receivable	
(e) 8,800	(f) 1,200
Bal 7,600	

Supplies	
(b) 300	
Bal 300	

Accounts payable	
	(c) 700

McChesney capital	
	(a) 10,000

Service revenue	
	(e) 8,800

Salary expense	
(d) 1,400	

Rent expense	
(d) 1,100	

Advertising expense	
(c) 700	

(continued) Decision Case 2-1

Req. 3

A-Plus Travel Planners		
Trial Balance		
June 30, 2014		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 8,400	
Accounts receivable	7,600	
Supplies	300	
Accounts payable		\$ 700
McChesney, capital		10,000
Service revenue		8,800
Salary expense	1,400	
Rent expense	1,100	
Advertising expense	700	
Total	<u>\$19,500</u>	<u>\$19,500</u>

Req. 4

A-Plus Travel Planners

Revenues:		
Service revenue		\$8,800
Expenses:		
Salary expense	\$1,400	
Rent expense	1,100	
Advertising expense	700	
Total expenses		<u>3,200</u>
Net income for month		<u>\$5,600</u>

Recommendation: Discontinue the business, because net income falls below the target amount.

Decision Case 2-2

Req. 1

Double-entry bookkeeping has the advantage that it records both sides (the “giving” side and the “receiving” side) of a business transaction in the precise language of accounting, i.e. “debits” and “credits.” This allows for the exact description of balances in all accounts, and helps ensure that the entire system is always in balance.

Req. 2

The bank is not misusing the term credit. From the perspective of the bank’s ledger, when you deposit money in the bank, the bank debits Cash (received from you) and credits a payable (payable to you on demand). It is this payable, a liability account, that is the source of the term credit. This is why a bank credit is good for the depositor. It means you have more money in the bank.

***Students probably will not be this complete.**

Ethical Issue 2-1

Req. 1

The bank has a standing agreement with Better Days Ahead for overdrafts, so as long as transactions are compliant with terms of the agreement, there is no ethical issue. The exercise refers to Better Days Ahead managing funds “wisely.” However, whether funds are managed wisely or not is a matter of prudent business management and not an ethical issue. Presumably if Better Days Ahead was exceeding the terms of the agreement, the bank would cancel the arrangement.

Some students may point out that the agreement was for times when donations are running low, whereas the reasons given for the overdraft are for expansion and fundraising. If this is interpreted to mean that Better Days Ahead is abusing the privilege according to the terms of the agreement, then there may be an ethical issue involved, but that is not made clear by the information given.

Students may approve of Henson’s cash management if the arrangement is beneficial to Better Days Ahead, and thus helps them accomplish their charitable mission more effectively. Students may disapprove of Henson’s cash management if (a) they feel it is “unwise”, i.e. poor business management, or (b) if they believe he is exceeding the terms of the agreement.

Fraud Case 2-1

Req. 1

By changing an expense to an asset, the total expenses will decrease and net income will increase.

Req. 2

The CEO gained by earning a bonus, and the accounting manager may have gained by getting favorable treatment from the CEO. The shareholders of the company lost, because the company paid out the bonus under fraudulent conditions.

Financial Statement Case 2-1

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec.	1	Cash & cash equivalents		60,000	
		Net sales revenue			60,000
	9	Cash & cash equivalents		200,000	
		Long-term debt			200,000
	12	Fixed assets		10,000	
		Accounts payable			10,000
	22	Accounts payable		5,000	
		Cash & cash equivalents (\$10,000 × ½)			5,000
	28	General & admin expense		3,000	
		Cash & cash equivalents			3,000
	31	Long-term debt		100,000	
		Interest expense		1,000	
		Cash & cash equivalents			101,000

Note: Amazon.com financial statements use slightly different terminology: “cash and cash equivalents” instead of “cash,” “net sales” instead of “sales revenue,” “long-term debt” instead of “note payable,” “Fixed Assets” instead of “Equipment,” “General and Administrative Expense” instead of “Administrative Expense.”

Team Project 2-1

Suggested Answer

Req. 1

Student answers will vary widely, as the various groups use the charts of accounts of different businesses. The financial statements that the students prepare should be consistent with the business's chart of accounts.

Communication Activity 2-1

Debits are on the left, credits are on the right. Normal balance for assets, expenses, and drawings is a debit. For liability, equity, and revenue accounts, the normal balance is a credit.