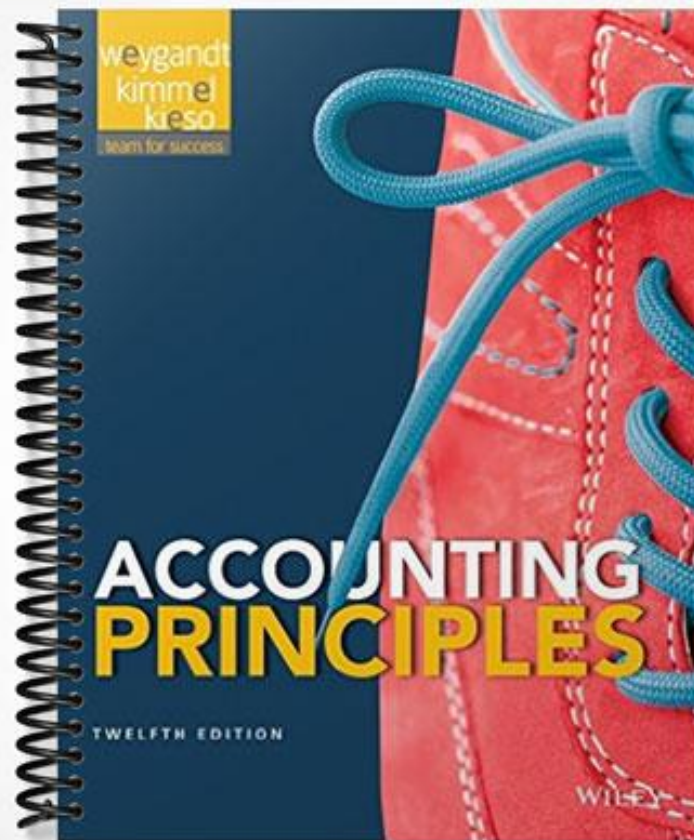
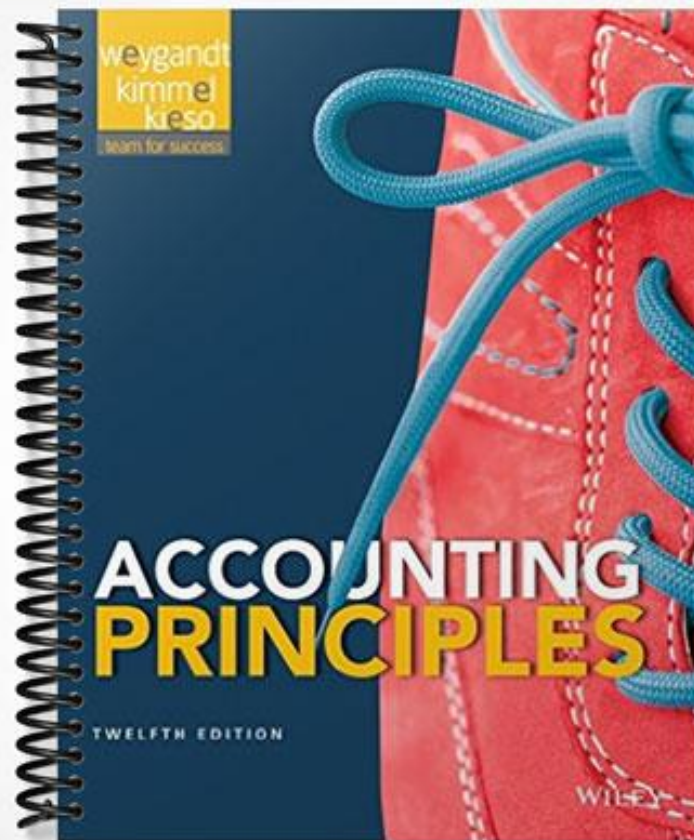


SOLUTIONS MANUAL



SOLUTIONS MANUAL



CHAPTER 2

LEARNING OBJECTIVES

- 1. DESCRIBE HOW ACCOUNTS, DEBITS, AND CREDITS ARE USED TO RECORD BUSINESS TRANSACTIONS.**
- 2. INDICATE HOW A JOURNAL IS USED IN THE RECORDING PROCESS.**
- 3. EXPLAIN HOW A LEDGER AND POSTING HELP IN THE RECORDING PROCESS.**
- 4. PREPARE A TRIAL BALANCE.**

CHAPTER REVIEW

The Account

1. (L.O. 1) An **account** is an individual accounting record of increases and decreases in a specific asset, liability, or owner's equity item.
2. In its simplest form, an account consists of (a) the title of the account, (b) a left or debit side, and (c) a right or credit side. The alignment of these parts resembles the letter T, and therefore the account form is called a **T-account**.

Debits and Credits

3. The terms **debit** and **credit** mean left and right, respectively.
 - a. The act of entering an amount on the left side of an account is called **debiting** the account and making an entry on the right side is **crediting** the account.
 - b. When the debit amounts exceed the credits, an account has a **debit balance**; when the reverse is true, the account has a **credit balance**.
4. In a **double-entry** system, equal debits and credits are made in the accounts for each transaction. Thus, the total debits will always equal the total credits.
5. The effects of debits and credits on **assets** and **liabilities** and the normal balances are:

<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>	<u>Normal Balance</u>
Assets	Increase	Decrease	Debit
Liabilities	Decrease	Increase	Credit

6. Accounts are kept for each of the four subdivisions of owner's equity: capital, drawings, revenues, and expenses.
7. The effects of debits and credits on the owner's equity accounts and the normal balances are:

<u>Accounts</u>	<u>Debits</u>	<u>Credits</u>	<u>Normal Balance</u>
Owner's Capital	Decrease	Increase	Credit
Owner's Drawings	Increase	Decrease	Debit
Revenues	Decrease	Increase	Credit
Expenses	Increase	Decrease	Debit

8. The expanded accounting equation is:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Capital} - \text{Owner's Drawings} + \text{Revenues} - \text{Expenses}$$

The Journal

9. (L.O. 2) The basic steps in the recording process are:
 - a. Analyze each transaction for its effect on the accounts.
 - b. Enter the transaction information in a journal.
 - c. Transfer the journal information to the appropriate accounts in the ledger.

10. Transactions are initially recorded in a journal.
 - a. A journal is referred to as a book of original entry.
 - b. A **general journal** is the most basic form of journal.
11. The journal makes several significant contributions to the recording process:
 - a. It discloses in one place the complete effect of a transaction.
 - b. It provides a chronological record of transactions.
 - c. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
12. Entering transaction data in the journal is known as **journalizing**. When three or more accounts are required in one journal entry, the entry is known as a **compound entry**.

The Ledger

13. (L.O. 3) The ledger is the entire group of accounts maintained by a company. It keeps in one place all the information about changes in account balances and it is a source of useful data for management.
14. The **standard form of a ledger account** has three columns and the balance in the account is determined after each transaction.
15. **Posting** is the procedure of transferring journal entries to the ledger accounts. The following steps are used in posting:
 - a. In the ledger, enter in the appropriate columns of the account(s) debited the date, journal page, and debit amount.
 - b. In the reference column of the journal, write the account number to which the debit amount was posted.
 - c. Perform the same steps in a. and b. for the credit amount.

The Chart of Accounts

16. A **chart of accounts** is a listing of the accounts and the account numbers which identify their location in the ledger. The numbering system usually starts with the balance sheet accounts and follows with the income statement accounts.

The Basic Steps

17. The basic steps in the recording process are illustrated as follows:

Transaction On September 4, Fesmire Inc. pays \$3,000 cash to a creditor in full payment of the balance due.

Basic analysis The liability Accounts Payable is decreased \$3,000, and the asset Cash is decreased \$3,000.

Debit-credit analysis Debits decrease liabilities: debit Accounts Payable \$3,000.
Credits decrease assets: credit Cash \$3,000.

Journal entry	Sept. 4	Accounts Payable	201	3,000	
		Cash (Paid creditor in full)	101		3,000
Posting		<u>Cash 101</u>		<u>Accounts Payable 201</u>	
		Sept. 4 3,000		Sept. 4 3,000	

The Trial Balance

18. (L.O. 4) A **trial balance** is a list of accounts and their balances at a given time. The trial balance proves the mathematical equality of debits and credits after posting.
19. A trial balance does not prove that the company has recorded all transactions or that the ledger is correct because the trial balance may balance even when
- a transaction is not journalized.
 - a correct journal entry is not posted.
 - a journal entry is posted twice.
 - incorrect accounts are used in journalizing or posting.
 - offsetting errors are made in recording the amount of a transaction.

LECTURE OUTLINE

A. The Account.

An account is an individual accounting record of increases and decreases in a specific asset, liability, or owner's equity item.

An account consists of three parts:

1. A title.
2. A left or debit side.
3. A right or credit side.

B. Debits and Credits.

The terms debit and credit are directional signals: Debit indicates left, and credit indicates right.

1. Assets, drawings, and expenses are increased by debits and decreased by credits.
2. Liabilities, owner's capital, and revenues are increased by credits and decreased by debits.

C. Steps in the Recording Process.

There are three basic steps in the recording process:

1. Analyze each transaction for its effects on the accounts.
2. Enter the transaction information in a journal.

3. Transfer the journal information to the appropriate accounts in the ledger.

D. The General Journal/Journalizing.

Entering transaction data in the general journal is called journalizing.

The general journal:

1. Discloses in one place the complete effects of a transaction.
2. Provides a chronological record of transactions.
3. Helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.
4. A simple journal entry involves only two accounts (one debit and one credit) whereas a compound journal entry involves three or more accounts.

E. The Ledger.

The ledger is the entire group of accounts maintained by a company. A general ledger contains all the assets, liabilities, and owner's equity accounts.

1. The ledger provides the balance in each of the accounts as well as keeps track of changes in these balances.
2. Companies arrange the ledger in the sequence in which they present the accounts in the financial statements, beginning with the balance sheet accounts.

F. Posting/Chart of Accounts.

1. Posting is transferring journal entries to the ledger accounts.
2. Posting involves the following steps:

- a. In the ledger, in the appropriate columns of the account(s) debited, enter the date, journal page, and debit amount shown in the journal.
 - b. In the reference column of the journal, write the account number to which the debit amount was posted.
 - c. In the ledger, in the appropriate columns of the account(s) credited, enter the date, journal page, and credit amount shown in the journal.
 - d. In the reference column of the journal, write the account number to which the credit amount was posted.
3. A chart of accounts lists the accounts and the account numbers that identify their location in the ledger. Accounts are usually numbered starting with the balance sheet accounts followed by income statement accounts.

G. Trial Balance.

A trial balance is a list of accounts and their balances at a given time.

1. It proves the mathematical equity of debits and credits after posting.
2. It may also uncover errors in journalizing and posting.
3. It is useful the preparation of financial statements.

INVESTOR INSIGHT

Bank regulators fined Bank One Corporation (Now Chase) \$1.8 million because they felt the reliability of the bank's accounting system caused it to violate regulatory requirements. The financial records of Waste Management Inc. were in such disarray that 10,000 employees were receiving pay slips that were in error.

In order for these companies to prepare and issue financial statements, their accounting equations must have been in balance at year-end. How could these errors or misstatements have occurred?

Answer: A company's accounting equation (its books) can be in balance yet its financial statements have errors or misstatements because of the following: entire transactions were not recorded, transactions were recorded at wrong amounts; transactions were recorded in the wrong accounts; transactions were recorded in the wrong accounting period. Audits of financial statements uncover some, but not all, errors or misstatements.

IFRS

A Look At IFRS

International companies use the same set of procedures and records to keep track of transaction data. Thus, the material in Chapter 2 dealing with the account, general rules of debit and credit, and steps in the recording process—the journal, ledger, and chart of accounts—is the same under both GAAP and IFRS.

KEY POINTS

Following are the key similarities and differences between GAAP and IFRS as related to the recording process:

- Transaction analysis is the same under IFRS and GAAP.
- Both the IASB and FASB go beyond the basic definitions provided in the textbook for the key elements of financial statements, that is, assets, liabilities, equity, revenue, and expenses.
- A trial balance under IFRS follows the same format as shown in the textbook.
- As shown in the textbook, dollar signs are typically used only in the trial balance and the financial statements. The same practice is followed under IFRS, using the currency of the country where the reporting company is headquartered.
- A trial balance under IFRS follows the same format as shown in the textbook.
- IFRS relies less on historical cost and more on fair value than do FASB standards.
- Internal controls are a system of checks and balances designed to prevent and detect fraud and errors. While most public U. S. companies have these systems in place, many non-U.S. companies have never completely documented the controls nor had an independent auditor attest to their effectiveness.

LOOKING TO THE FUTURE

The basic recording process shown in this textbook is followed by companies across the globe. It is unlikely to change in the future. The definitional structure of assets, liabilities, equity, revenues, and expenses may change over time as the IASB and FASB evaluate their overall conceptual framework for establishing accounting standards.

20 MINUTE QUIZ

Circle the correct answer.

True/False

- Assets are increased by debits and liabilities are decreased by credits.
True False
- The owner's capital account is increased by credits.
True False
- An account will have a credit balance if the total debit amounts exceed the total credit amounts.
True False
- The ledger is the entire group of accounts maintained by a company.
True False
- The basic steps in the recording process are (1) to analyze each transaction, (2) to enter the transaction in a journal, and (3) to transfer the journal entry to the appropriate ledger accounts.
True False
- Transferring journal entries to the ledger accounts is called posting and should be performed in chronological order.
True False
- $\text{Assets} = \text{liabilities} + \text{owner's capital} - \text{drawings} + \text{revenues} - \text{expenses}$ is a correct form of the expanded basic accounting equation.
True False
- In posting, one should enter "J2" in the Post. Ref. Column on page two of the journal.
True False
- When the columns of the trial balance equal each other, it proves no errors occurred in recording and posting.
True False
- The double-entry system helps ensure the accuracy of the recorded amounts and helps to detect errors.
True False

Multiple Choice

1. Transactions are initially recorded in the
 - a. general ledger.
 - b. general journal.
 - c. trial balance.
 - d. balance sheet.

2. The right side of an account is referred to as the
 - a. footing.
 - b. chart side.
 - c. debit side.
 - d. credit side.

3. A purchase of equipment for cash requires a credit to
 - a. Equipment.
 - b. Cash.
 - c. Accounts Payable.
 - d. Owner's Capital.

4. The equality of the accounting equation can be proven by preparing a
 - a. trial balance.
 - b. journal.
 - c. general ledger.
 - d. T-account.

5. Which of the following accounts would be increased with a debit?
 - a. Rent Payable
 - b. Owner's Capital
 - c. Service Revenue
 - d. Owner's Drawings

ANSWERS TO QUIZ

True/False

- | | |
|----------|----------|
| 1. False | 6. True |
| 2. True | 7. True |
| 3. False | 8. False |
| 4. True | 9. False |
| 5. True | 10. True |

Multiple Choice

1. b.
2. d.
3. b.
4. a.
5. d.

CHAPTER 2
SOLUTIONS TO PROBLEMS: SET B

PROBLEM 2-1B

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

PROBLEM 2-1B (Continued)

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

PROBLEM 2-2B

(a)

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

J1

PROBLEM 2-2B (Continued)

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

(b)

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

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

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

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

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

PROBLEM 2-2B (Continued)

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

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

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

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

(c)

**IRIS BECK, CPA
Trial Balance
May 31, 2017**

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

PROBLEM 2-3B

(a) & (c)

Cash

Balance	8,000		
		(1)	1,000
		(3)	2,000
(4)	14,000		
		(5)	15,000
6)	6,000		
		(7)	3,500
		(8)	3,000
	3,500		

Accounts Receivable

Balance	15,000		
		(4)	14,000
(7)	9,000		
	10,000		

Supplies

Balance	13,000		
(2)	4,200		
	17,200		

Prepaid Rent

Balance	3,000		
	3,000		

Equipment

Balance	20,000		
	20,000		

Accounts Payable

		Balance	19,000
		(2)	4,200
(5)	15,000		
			8,200

Owner's Capital

	Balance	40,000
		40,000

Owner's Drawings

(8)	3,000	
	3,000	

Service Revenue

	(7)	15,000
		15,000

Advertising Expense

(1)	1,000	
	1,000	

Miscellaneous Expense

(3)	2,000	
	2,000	

Salaries and Wages Expense

(7)	3,500	
	3,500	

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

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

PROBLEM 2-3B (Continued)

(d)

**VIAN REPAIR SERVICE
Trial Balance
January 31, 2017**

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

PROBLEM 2-4B

SEAN DEVINE COMPANY
Trial Balance
May 31, 2014

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

PROBLEM 2-5B

(a) & (c)

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

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	85		85

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

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

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

PROBLEM 2-5B (Continued)

Equipment **No. 157**

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

Accounts Payable **No. 201**

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

Mortgage Payable **No. 275**

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

Owner's Capital **No. 301**

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

Service Revenue **No. 400**

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

Rent Revenue **No. 429**

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

PROBLEM 2-5B (Continued)

Advertising Expense **No. 610**

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

Salaries and Wages Expense **No. 726**

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

Rent Expense **No. 729**

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

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit
				J1
Apr. 2	Rent Expense	729	1,100	
	Cash	101		1,100
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash	101	2,800	
	Service Revenue	400		2,800
	(Received cash for services performed)			
10	Mortgage Payable	275	2,000	
	Accounts Payable	201	1,000	
	Cash	101		3,000
	(Made payments on mortgage and accounts payable)			

PROBLEM 2-5B (Continued)

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

PROBLEM 2-5B (Continued)

(d)

**CLASSIC THEATER
Trial Balance
April 30, 2017**

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

Weygandt Accounting Principles, 12e
Chapter Two
Solutions to Challenge Exercises

Challenge Exercise 2-1 – Solution

1.

1	Cash.....	25,000	
	Owner's Capital		25,000
2	No entry, not a transaction		
3	Equipment.....	2,900	
	Cash.....		700
	Accounts Payable		2,200
6	Cash.....	600	
	Accounts Receivable	3,000	
	Service Revenue.....		3,600
27	Accounts Payable	900	
	Cash.....		900
30	Salaries and Wages Expense.....	2,300	
	Cash.....		2,300
31	Cash.....	1,200	
	Accounts Receivable		1,200

2. The October 31 balance of Accounts Payable is \$1,300 (\$2,200 - \$900), and would be reported in the liabilities section of the balance sheet.

3. The October 31 balance of Accounts Receivable is \$1,800 (\$3,000 - \$1,200), and would be reported in the assets section of the balance sheet.

Challenge Exercise 2-2 – Solution

(a)

General Journal					J1
Date		Account Titles	Ref.	Debit	Credit
Sept.	1	Cash.....	101	20,000	
		Owner's Capital.....	301		20,000
	5	Equipment	157	17,000	
		Cash	101		6,000
		Accounts Payable.....	201		11,000
	11	Cash.....	101	1,000	
		Accounts Receivable.....	112	2,900	
		Service Revenue	400		3,900
	25	Accounts Payable.....	201	7,000	
		Cash	101		7,000
	29	Owner's Drawings	306	600	
		Cash	101		600
	30	Cash.....	101	1,500	
		Accounts Receivable.....	112		1,500

(b)

Cash					No. 101	
Date		Explanation	Ref.	Debit	Credit	Balance
Sept.	1		J1	20,000		20,000
	5		J1		6,000	14,000
	11		J1	1,000		15,000
	25		J1		7,000	8,000
	29		J1		600	7,400
	30		J1	1,500		8,900

Accounts Receivable						No. 112
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 11		J1	2,900		2,900	
30		J1		1,500	1,400	

Challenge Exercise 2-2 – Solution (Continued)

Equipment						No. 157
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1	17,000		17,000	

Accounts Payable						No. 201
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1		11,000	11,000	
25		J1	7,000		4,000	

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

Owner's Drawings						No. 306
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept.29		J1	600		600	

Service Revenue						No. 400
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 11		J1		3,900	3,900	

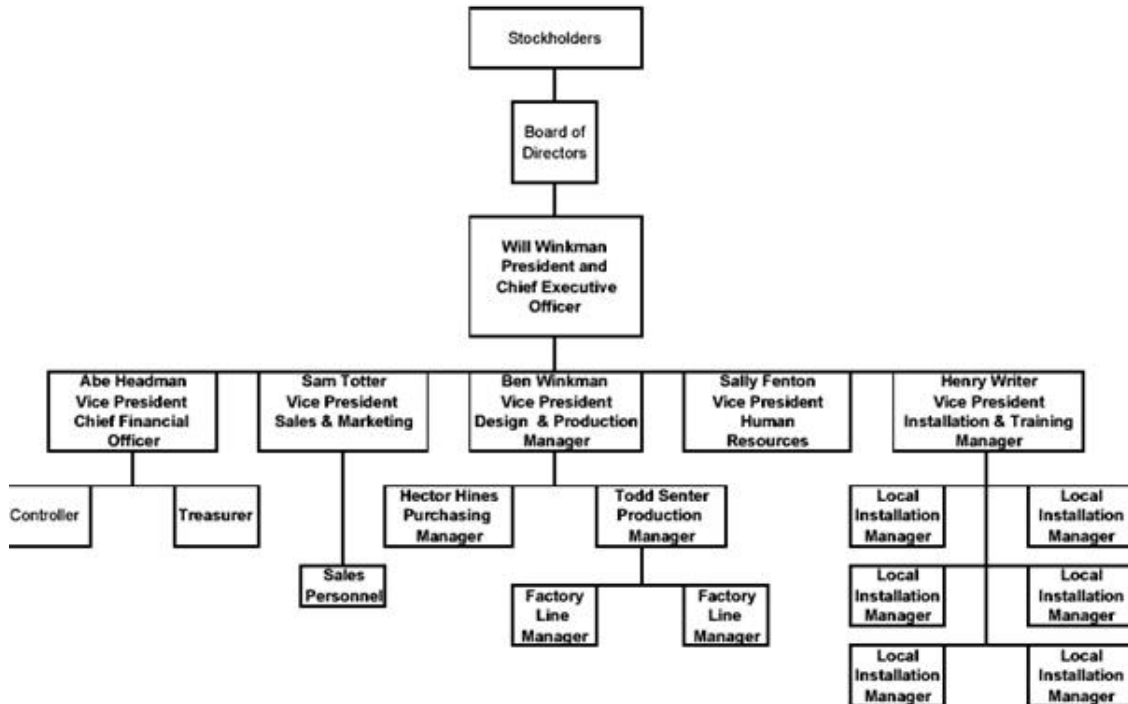
(c) Total assets would be \$27,300 (\$8,900 + \$1,400 + \$17,000).

(d) Total liabilities would be \$4,000 (just accounts payable).

SOLUTION
Chapter 19 Waterways Continuing Problem

WCP19 (a)

ORGANIZATIONAL CHART



(b)

Waterways Corporation
Cost of Goods Manufactured Schedule
For the Month of November

Work in process 11/1		\$ 52,900
Direct materials		
Raw materials inventory 11/1	\$ 38,000	
Raw material purchases	<u>185,400</u>	
Total raw materials available for use	223,400	
Less: Raw materials inventory 11/30	<u>52,700</u>	
Direct materials used		\$170,700
Direct labor		22,000
Manufacturing overhead		
Depreciation--factory equipment	16,800	
Factory supplies used	16,850	
Factory utilities	10,200	
Indirect labor	48,000	
Rent--factory equipment	47,000	
Repairs--factory equipment	<u>4,200</u>	
Total factory overhead		<u>143,050</u>
Total manufacturing costs		<u>335,750</u>
Total cost of work in process		388,650
Less: Work in process 11/30		<u>42,000</u>
Cost of goods manufactured		<u>\$346,650</u>

Waterways Corporation
Income Statement
For the Month of November

Sales		\$1,350,000
Cost of goods sold		
Finished goods inventory 11/1	\$ 72,550	
Cost of goods manufactured	<u>346,650</u>	
Cost of goods available for sale	419,200	
Less: Finished goods inventory 11/30	<u>68,300</u>	
Cost of goods sold		<u>350,900</u>
Gross profit		999,100
Operating expenses		
Selling expenses		
Advertising expenses	54,000	
Sales commissions	<u>40,500</u>	
Total selling expenses	94,500	
Administrative expenses		
Depreciation--office equipment	\$ 2,500	
Office supplies expense	1,400	
Other administrative expenses	72,000	
Salaries	<u>325,000</u>	
Total administrative expenses	<u>400,900</u>	
Total operating expenses		<u>495,400</u>
Net income		<u><u>\$ 503,700</u></u>

Waterways Corporation
Balance Sheet (partial)
November 30

Current assets		
Cash		\$260,000
Accounts receivable		295,000
Inventories		
Raw materials inventory	\$52,700	
Work in process inventory	42,000	
Finished goods inventory	<u>68,300</u>	163,000
Prepaid expenses		<u>41,250</u>
Total current assets		<u>\$759,250</u>

CHAPTER 2

The Recording Process

ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>
1. Indicate how accounts, debits, and credits are used to record business transactions.	1, 2, 3, 4, 5, 6, 7, 8, 9, 19, 21	1, 2, 5	1	1, 2, 4, 6, 7, 14	1A, 2A, 3A, 5A
2. Indicate how a journal is used in the recording process.	10, 11, 12, 13, 14, 16	3, 4, 6	2	3, 5, 6, 7, 10, 11, 12	1A, 2A, 3A, 5A
3. Explain how a ledger and posting help in the recording process.	15, 17	7, 8	3	8, 9, 12	2A, 3A, 5A
4. Prepare a trial balance.	18, 20	9, 10	4	9, 10, 11, 13, 14	2A, 3A, 4A, 5A

ASSIGNMENT CHARACTERISTICS TABLE

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

WEYGANDT ACCOUNTING PRINCIPLES 12E
CHAPTER 2
THE RECORDING PROCESS

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

THE RECORDING PROCESS (Continued)

Number	LO	BT	Difficulty	Time (min.)
P1A	1, 2	AP	Simple	20–30
P2A	1, 2, 3, 4	AP	Simple	30–40
P3A	1, 2, 3, 4	AP	Moderate	40–50
P4A	4	AN	Moderate	30–40
P5A	1, 2, 3, 4	AP	Moderate	40–50
BYP1	1	C	Simple	8–10
BYP2	1, 2	AN	Simple	8–10
BYP3	—	AP	Simple	15–20
BYP4	—	AP, S	Simple	15–20
BYP5	3, 4	AP, S	Moderate	20–30
BYP6	4	AN, E	Moderate	10–15
BYP7	—	E	Moderate	10–15
BYP8	—	E	Moderate	15–20
BYP9	—	E	Moderate	15–20
BYP10	—	E	Moderate	20–30

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

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Describe how accounts, debits, and credits are used to record business transactions.	Q2-1 Q2-21 E2-1	Q2-2 Q2-8 DI2-1 Q2-3 Q2-9 E2-2 Q2-4 Q2-19 E2-4 Q2-5 BE2-1 Q2-6 BE2-2 Q2-7 BE2-5	E2-6 P2-1A P2-5A E2-7 P2-2A E2-14 P2-3A			
2. Indicate how a journal is used in the recording process.	Q2-10 Q2-12	Q2-11 Q2-13 Q2-14 BE2-4	Q2-16 E2-5 E2-12 BE2-3 E2-6 P2-1A BE2-6 E2-7 P2-2A DI2-2 E2-10 P2-3A E2-3 E2-11 P2-5A			
3. Explain how a ledger and posting help in the recording process.	E2-8	Q2-15 Q2-17	BE2-7 E2-9 P2-3A BE2-8 E2-12 P2-5A DI2-3 P2-2A			
4. Prepare a trial balance.		Q2-18 Q2-20	BE2-9 E2-10 P2-2A DI2-4 E2-11 P2-3A E2-9 E2-14 P2-5A	BE2-10 E2-13 P2-4A		
Broadening Your Perspective		Financial Reporting	Real-World Focus	Comparative Analysis Ethics Case	Communication Decision Making Across the Organization Real-World Focus	All About You Ethics Case Considering P, P, and P

ANSWERS TO QUESTIONS

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

Questions Chapter 2 (Continued)

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

Questions Chapter 2 (Continued)

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

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 2-1

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

BRIEF EXERCISE 2-2

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

BRIEF EXERCISE 2-3

June	1	Cash	5,000	
		Owner's Capital		5,000
	2	Equipment	2,400	
		Accounts Payable.....		2,400
	3	Rent Expense	800	
		Cash		800
	12	Accounts Receivable	300	
		Service Revenue.....		300

BRIEF EXERCISE 2-4

The basic steps in the recording process are:

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

BRIEF EXERCISE 2-5

	(a) <u>Effect on Accounting Equation</u>	(b) <u>Debit-Credit Analysis</u>
Aug. 1	The asset Cash is increased; the owner's equity account Owner's Capital is increased.	Debits increase assets: debit Cash \$8,000. Credits increase owner's equity: credit Owner's Capital \$8,000.
4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance \$1,800. Credits decrease assets: credit Cash \$1,800.
16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash \$3,600. Credits increase revenues: credit Service Revenue \$3,600.
27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense \$1,000. Credits decrease assets: credit Cash \$1,000.

BRIEF EXERCISE 2-6

Aug. 1	Cash.....	8,000	
	Owner's Capital		8,000
4	Prepaid Insurance.....	1,800	
	Cash		1,800
16	Cash.....	3,600	
	Service Revenue		3,600
27	Salaries and Wages Expense.....	1,000	
	Cash		1,000

BRIEF EXERCISE 2-7

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

Accounts Receivable			
5/5	4,400	5/12	2,400
Ending Bal.	2,000		

BRIEF EXERCISE 2-8

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

BRIEF EXERCISE 2-8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	4,400		4,400
12		J1		2,400	2,000

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		4,400	4,400
15		J1		3,000	7,400

BRIEF EXERCISE 2-9

AMARO COMPANY
Trial Balance
June 30, 2017

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 5,800	
Accounts Receivable	3,000	
Equipment.....	17,000	
Accounts Payable.....		\$ 8,100
Owner's Capital		15,000
Owner's Drawings	1,200	
Service Revenue.....		10,000
Salaries and Wages Expense	5,100	
Rent Expense.....	1,000	
	<u>\$33,100</u>	<u>\$33,100</u>

BRIEF EXERCISE 2-10

CAPPSHAW COMPANY
Trial Balance
December 31, 2017

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

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 2-1

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

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

DO IT! 2-2

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

1. Cash..... 6,300
 Owner's Capital..... 6,300

2. Supplies 1,100
 Cash..... 400
 Accounts Payable..... 700

3. No entry because no transaction has occurred.

DO IT! 2-3

Cash			
4/1	1,600	4/16	700
4/3	3,400	4/20	250
4/30	4,050		

DO IT! 2-4

**CARLAND COMPANY
Trial Balance
December 31, 2017**

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

SOLUTIONS TO EXERCISES

EXERCISE 2-1

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

<u>Transaction</u>	<u>Account Debited</u>				<u>Account Credited</u>			
	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>
Jan. 2	Asset	Cash	Increase	Debit	Owner's Equity	Owner's Capital	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Owner's Equity	Service Revenue	Increase	Credit
16	Owner's Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Owner's Equity	Owner's Drawings	Increase	Debit	Asset	Cash	Decrease	Debit

EXERCISE 2-3

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash		10,000	
	Owner's Capital			10,000
3	Equipment		3,000	
	Cash			3,000
9	Supplies		500	
	Accounts Payable			500
11	Accounts Receivable		2,400	
	Service Revenue			2,400
16	Advertising Expense		350	
	Cash			350
20	Cash		700	
	Accounts Receivable			700
23	Accounts Payable		300	
	Cash			300
28	Owner's Drawings		1,000	
	Cash			1,000

EXERCISE 2-4

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

EXERCISE 2-4 (Continued)

- Oct. 6 **Debits increase assets: debit Accounts Receivable \$3,800.
Credits increase revenues: credit Service Revenue \$3,800.**
- 27 **Debits decrease liabilities: debit Accounts Payable \$1,100.
Credits decrease assets: credit Cash \$1,100.**
- 30 **Debits increase expenses: debit Salaries and Wages Expense
\$2,500.
Credits decrease assets: credit Cash \$2,500.**

EXERCISE 2-5

General Journal

Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash		15,000	
	Owner's Capital			15,000
2	No entry.			
3	Equipment		1,900	
	Accounts Payable			1,900
6	Accounts Receivable		3,800	
	Service Revenue.....			3,800
27	Accounts Payable		1,100	
	Cash			1,100
30	Salaries and Wages Expense		2,500	
	Cash			2,500

EXERCISE 2-6

- (a) 1. Increase the asset Cash, increase the liability Notes Payable.
 2. Increase the asset Equipment, decrease the asset Cash.
 3. Increase the asset Supplies, increase the liability Accounts Payable.

(b) 1.	Cash	5,000	
	Notes Payable		5,000
2.	Equipment.....	3,100	
	Cash		3,100
3.	Supplies	850	
	Accounts Payable.....		850

EXERCISE 2-7

- (a) **Assets = Liabilities + Owner's Equity**
- | | | | |
|----|---|---|--------------|
| 1. | + | + | (Investment) |
| 2. | - | - | (Expense) |
| 3. | + | + | (Revenue) |
| 4. | - | - | (Drawings) |

(b) 1.	Cash	4,000	
	Owner's Capital		4,000
2.	Rent Expense	840	
	Cash		840
3.	Accounts Receivable	5,200	
	Service Revenue		5,200
4.	Owner's Drawings	750	
	Cash		750

EXERCISE 2-8

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

EXERCISE 2-9

(a)

Cash			
Aug. 1	5,000	Aug. 12	2,300
10	2,600		
31	900		
Bal.	6,200		

Notes Payable		
	Aug. 12	2,700

Owner's Capital		
	Aug. 1	5,000

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

Service Revenue		
	Aug. 10	2,600
	25	1,700
	Bal.	4,300

Equipment	
Aug. 12	5,000

(b) **JUNE FELDMAN, INVESTMENT BROKER**
Trial Balance
August 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,200	
Accounts Receivable.....	800	
Equipment.....	5,000	
Notes Payable.....		\$ 2,700
Owner's Capital.....		5,000
Service Revenue.....		4,300
	<u>\$12,000</u>	<u>\$12,000</u>

EXERCISE 2-10

(a)

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

EXERCISE 2-10 (Continued)

**(b) DAGGETT LANDSCAPING COMPANY
Trial Balance
April 30, 2017**

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

EXERCISE 2-11

(a) Oct. 1	Cash.....	3,000	
	Owner's Capital.....		3,000
	(Owner's investment of cash in business)		
10	Cash.....	750	
	Service Revenue.....		750
	(Received cash for services performed)		
10	Cash.....	4,000	
	Notes Payable.....		4,000
	(Obtained loan from bank)		
20	Cash.....	500	
	Accounts Receivable.....		500
	(Received cash in payment of account)		
20	Accounts Receivable.....	940	
	Service Revenue.....		940
	(Billed clients for services performed)		

EXERCISE 2-11 (Continued)

(b)

**SHUMWAY CO.
Trial Balance
October 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 7,200	
Accounts Receivable.....	1,240	
Supplies	400	
Equipment.....	2,000	
Notes Payable		\$ 4,000
Accounts Payable.....		500
Owner's Capital		5,000
Owner's Drawings	300	
Service Revenue.....		2,490
Salaries and Wages Expense	500	
Rent Expense	350	
	<u>\$11,990</u>	<u>\$11,990</u>

EXERCISE 2-12

(a)

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

EXERCISE 2-12 (Continued)

(b)

Cash					No. 101	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1	10,000		10,000	
5		J1		4,000	6,000	
25		J1		3,000	3,000	
30		J1		700	2,300	

Equipment					No. 157	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1	12,000		12,000	

Accounts Payable					No. 201	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1		8,000	8,000	
25		J1	3,000		5,000	

Owner's Capital					No. 301	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1		10,000	10,000	

Owner's Drawings					No. 306	
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 30		J1	700		700	

EXERCISE 2-13

<u>Error</u>	<u>(a) In Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Column</u>
1.	No	\$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	27	Debit

EXERCISE 2-14

OVERNITE DELIVERY SERVICE
Trial Balance
July 31, 2017

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

SOLUTIONS TO PROBLEMS

PROBLEM 2-1A

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash		20,000	
	Owner's Capital			20,000
	(Owner's investment of cash in business)			
3	Land.....		12,000	
	Buildings		2,000	
	Equipment.....		1,000	
	Cash			15,000
	(Purchased Rainbow's Golf Land)			
5	Advertising Expense		900	
	Cash			900
	(Paid for advertising)			
6	Prepaid Insurance		600	
	Cash			600
	(Paid for one-year insurance policy)			
10	Equipment.....		1,050	
	Accounts Payable			1,050
	(Purchased equipment on account)			
18	Cash		1,100	
	Service Revenue			1,100
	(Received cash for services performed)			
19	Cash		1,500	
	Unearned Service Revenue			1,500
	(Received cash for coupon books sold)			

PROBLEM 2-1A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Owner's Drawings.....		800	
	Cash			800
	(Withdrew cash for personal use)			
30	Salaries and Wages Expense.....		250	
	Cash			250
	(Paid salaries)			
30	Accounts Payable		1,050	
	Cash			1,050
	(Paid creditor on account)			
31	Cash.....		2,700	
	Service Revenue			2,700
	(Received cash for services performed)			

PROBLEM 2-2A

(a)

J1

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

PROBLEM 2-2A (Continued)

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

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,100	18,900
11		J1	1,000		19,900
20		J1	2,100		22,000
30		J1		2,800	19,200
30		J1		2,400	16,800

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,400		1,600

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

PROBLEM 2-2A (Continued)

Owner's Capital **No. 301**

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

Service Revenue **No. 400**

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

Salaries and Wages Expense **No. 726**

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

Rent Expense **No. 729**

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

**(c) EMILY VALLEY, DENTIST
Trial Balance
April 30, 2017**

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

PROBLEM 2-3A

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	40,000	
	Owner's Capital		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	24,000	
	Cash		24,000
4.	Equipment	30,000	
	Cash		10,000
	Accounts Payable		20,000
5.	Prepaid Insurance	1,800	
	Cash		1,800
6.	Supplies	420	
	Cash		420
7.	Supplies	1,500	
	Accounts Payable		1,500
8.	Cash	8,000	
	Accounts Receivable	12,000	
	Service Revenue		20,000
9.	Accounts Payable	400	
	Cash		400
10.	Cash	3,000	
	Accounts Receivable		3,000
11.	Utilities Expense	380	
	Accounts Payable		380

PROBLEM 2-3A (Continued)

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

(b)

Cash	
(1)	40,000
	(3) 24,000
	(4) 10,000
	(5) 1,800
	(6) 420
(8)	8,000
	(9) 400
(10)	3,000
	(12) 6,100
	8,280

Equipment	
(4)	30,000
	30,000

Accounts Payable	
	(4) 20,000
	(7) 1,500
(9)	400
	(11) 380
	21,480

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

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

Supplies	
(6)	420
(7)	1,500
	1,920

Service Revenue	
	(8) 20,000
	20,000

Prepaid Insurance	
(5)	1,800
	1,800

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

Prepaid Rent	
(3)	24,000
	24,000

Utilities Expense	
(11)	380
	380

PROBLEM 2-3A (Continued)

(c)

**MAQUOKETA SERVICES
Trial Balance
May 31, 2017**

	Debit	Credit
Cash.....	\$ 8,280	
Accounts Receivable.....	9,000	
Supplies	1,920	
Prepaid Insurance.....	1,800	
Prepaid Rent	24,000	
Equipment.....	30,000	
Accounts Payable.....		\$21,480
Owner's Capital		40,000
Service Revenue		20,000
Salaries and Wages Expense	6,100	
Utilities Expense	380	
	\$81,480	\$81,480

PROBLEM 2-4A

**AVTAR SANDHU CO.
Trial Balance
June 30, 2017**

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

PROBLEM 2-5A

(a) & (c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,300		5,800
10		J1		4,100	1,700
12		J1		900	800
20		J1	5,000		5,800
20		J1		2,000	3,800
31		J1		3,100	700
31		J1	450		1,150
31		J1	9,000		10,150

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

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

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

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

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

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

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			40,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,300	4,300
20		J1		5,000	9,300
31		J1		9,000	18,300

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		900	900

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	900		900

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	3,100		3,100

PROBLEM 2-5A (Continued)

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

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit	J1
Mar. 2	Rent Expense	729	3,500		
	Accounts Payable	201		2,000	
	Cash	101		1,500	
	(Rented films for cash and on account)				
3	No entry.				
9	Cash	101	4,300		
	Service Revenue.....	400		4,300	
	(Received cash for services performed)				
10	Accounts Payable (\$2,000 + \$2,100)	201	4,100		
	Cash	101		4,100	
	(Paid creditors on account)				
11	No entry.				
12	Advertising Expense.....	610	900		
	Cash	101		900	
	(Paid advertising expense)				
20	Cash	101	5,000		
	Service Revenue.....	400		5,000	
	(Received cash for services performed)				
20	Rent Expense	729	2,000		
	Cash	101		2,000	
	(Paid film rental)				

PROBLEM 2-5A (Continued)

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

**(d) STARR THEATER
Trial Balance
March 31, 2017**

	Debit	Credit
Cash	\$10,150	
Accounts Receivable	450	
Land.....	24,000	
Buildings.....	10,000	
Equipment.....	10,000	
Accounts Payable.....		\$ 4,900
Owner's Capital		40,000
Service Revenue.....		18,300
Rent Revenue		900
Advertising Expense	900	
Salaries and Wages Expense	3,100	
Rent Expense.....	5,500	
	<u>\$64,100</u>	<u>\$64,100</u>

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

CC2 (Continued)

(b)

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

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

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

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

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

CC2 (Continued)**(b) (Continued)****Notes Payable**

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

Owner's Capital

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue

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

Advertising Expense

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

CC2 (Continued)

(c)

COOKIE CREATIONS
Trial Balance
November 30, 2016

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

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

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

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

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

	<u>PepsiCo</u>		<u>Coca-Cola</u>	
(a)	1. Inventory:	debit	1. Accounts Receivable:	debit
	2. Property, Plant & Equipment:	debit	2. Cash and Cash Equivalents:	debit
	3. Accounts Payable:	credit	3. Cost of Goods Sold(expense):	debit
	Interest Expense:	debit	4. Sales (revenue)	credit

(b)

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

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

(b) The following other accounts are ordinarily involved:

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

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

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

Date: May 25, 2017

To: Accounting Instructor

From: Student

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

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

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

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

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

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

- (a) The stakeholders in this situation are:
- ▶ Ellynn Kole, assistant chief accountant.
 - ▶ Users of the company's financial statements.
 - ▶ The Doman Company.
- (b) By adding \$1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by \$1,000. If the amount of \$1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Ellynn's action might not be considered unethical in the preparation of interim financial statements. However, if Ellynn is violating a company accounting policy by her action, then she is acting unethically.
- (c) Ellynn's alternatives are:
1. Miss the deadline but find the error causing the imbalance.
 2. Tell her supervisor of the imbalance and suffer the consequences.
 3. Do as she did and locate the error later, making the adjustment in the next quarter.

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

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

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

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

Account	Financial Statement	Position in Financial Statement
Other operating income and expense	Consolidated Income Statement	After gross profit and before operating profit
Cash and cash equivalents	Consolidated Balance Sheet	Current assets
Trade accounts payable	Consolidated Balance Sheet	Current liabilities
Cost of net financial debt	Consolidated Income Statement	After operating profit and before profit from continuing operations before taxes.

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

CC2 (Continued)

(b)

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

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

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

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

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

CC2 (Continued)**(b) (Continued)****Notes Payable**

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

Owner's Capital

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue

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

Advertising Expense

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

CC2 (Continued)

(c)

COOKIE CREATIONS
Trial Balance
November 30, 2016

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

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

CHAPTER 2

SOLUTIONS TO EXERCISES—SET B

EXERCISE 2-1B

1. **False.** An account is an accounting record of a specific asset, liability, or owner's equity item.
2. **True.**
3. **False.** Each asset, liability, and owner's equity item has a separate account.
4. **True.**
5. **False.** A simple form of an account consisting of the account title, the left side, and the right side, is called a t-account.

EXERCISE 2-2B

<u>Transaction</u>	<u>Account Debited</u>				<u>Account Credited</u>			
	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>	<u>(a) Basic Type</u>	<u>(b) Specific Account</u>	<u>(c) Effect</u>	<u>(d) Normal Balance</u>
Jan. 2	Asset	Cash	Increase	Debit	Owner's Equity	Owner's Capital	Increase	Credit
3	Owner's Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
11	Asset	Accounts Receivable	Increase	Debit	Owner's Equity	Service Revenue	Increase	Credit
16	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Owner's Equity	Owner's Drawings	Increase	Debit	Asset	Cash	Decrease	Debit

EXERCISE 2-3B

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash		20,000	
	Owner's Capital			20,000
3	Advertising Expense.....		500	
	Cash			500
9	Equipment		7,000	
	Cash			7,000
11	Accounts Receivable.....		2,300	
	Service Revenue.....			2,300
16	Supplies.....		700	
	Accounts Payable			700
20	Cash.....		1,100	
	Accounts Receivable			1,100
23	Accounts Payable		400	
	Cash			400
28	Owner's Drawings.....		1,200	
	Cash			1,200

EXERCISE 2-4B

- Oct. 1 **Debits increase assets: debit Cash \$22,000.**
Credits increase owner's equity: credit Owner's Capital \$22,000.
- 2 **Debits increase expenses: debit Rent Expense, \$700.**
Credits decrease assets: credit Cash \$700.
- 3 **Debits increase assets: debit Equipment \$2,800.**
Credits increase liabilities: credit Accounts Payable \$2,800.

EXERCISE 2-4B (Continued)

- Oct. 6** **Debits increase assets: debit Accounts Receivable \$5,400.**
Credits increase revenues: credit Service Revenue \$5,400.
- 27** **Debits decrease liabilities: debit Accounts Payable \$1,100.**
Credits decrease assets: credit Cash \$1,100.
- 30** **Debits increase expenses: debit Utilities Expense \$180.**
Credits increase liabilities: credit Accounts Payable \$180.

EXERCISE 2-5B

General Journal

Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash		22,000	
	 Owner's Capital			22,000
2	Rent Expense		700	
	 Cash			700
3	Equipment		2,800	
	 Accounts Payable			2,800
6	Accounts Receivable		5,400	
	 Service Revenue			5,400
27	Accounts Payable		1,100	
	 Cash			1,100
30	Utilities Expense		180	
	 Accounts Payable			180

EXERCISE 2-8B

1. False. The general ledger contains all the asset, liability, and owner's equity accounts.
2. False The general ledger is sometimes referred to as the ledger.
3. False. The accounts in the general ledger are arranged in financial statement order: first the assets, then the liabilities, owner's capital, owner's drawing, revenues, and expenses.
4. True.
5. True.

EXERCISE 2-9B

(a)

Cash			
Aug. 1	6,000	Aug. 12	1,000
10	1,700		
31	1,500		
Bal.	8,200		

Notes Payable		
	Aug. 12	5,000

Owner's Capital		
	Aug. 1	6,000

Accounts Receivable			
Aug. 25	2,500	Aug. 31	1,500
Bal.	1,000		

Service Revenue		
	Aug. 10	1,700
	25	2,500
	Bal.	4,200

Equipment	
Aug. 12	6,000

(b)

BRET QUANDT, INVESTMENT BROKER
Trial Balance
August 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 8,200	
Accounts Receivable.....	1,000	
Equipment.....	6,000	
Notes Payable.....		\$ 5,000
Owner's Capital.....		6,000
Service Revenue.....		4,200
	<u>\$15,200</u>	<u>\$15,200</u>

EXERCISE 2-10B

(a) General Journal

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash		18,000	
	 Owner's Capital			18,000
	 (Owner's investment of cash in business)			
12	Cash		1,200	
	 Service Revenue			1,200
	 (Received cash for services provided)			
15	Salaries and Wages Expense		700	
	 Cash			700
	 (Paid salaries to date)			
25	Accounts Payable.....		1,600	
	 Cash			1,600
	 (Paid creditors on account)			
29	Cash		900	
	 Accounts Receivable			900
	 (Received cash in payment of account)			
30	Cash		1,400	
	 Unearned Service Revenue			1,400
	 (Received cash for future services)			

EXERCISE 2-10B (Continued)

**(b) CARRIE'S GARDENING COMPANY
Trial Balance
April 30, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$19,200	
Accounts Receivable.....	2,000	
Supplies	1,900	
Accounts Payable.....		\$ 300
Unearned Service Revenue.....		1,400
Owner's Capital		18,000
Service Revenue.....		4,100
Salaries and Wages Expense	700	
	<u>\$23,800</u>	<u>\$23,800</u>

EXERCISE 2-11B

(a) Oct. 1	Cash.....	8,500	
	Owner's Capital.....		8,500
	(Owner's investment of cash in business)		
10	Cash.....	800	
	Service Revenue		800
	(Received cash for services provided)		
10	Cash.....	3,000	
	Notes Payable		3,000
	(Obtained loan from bank)		
20	Cash.....	450	
	Accounts Receivable		450
	(Received cash in payment of account)		
20	Accounts Receivable.....	1,070	
	Service Revenue		1,070
	(Billed clients for services provided)		

EXERCISE 2-11B (Continued)

(b)

**NOLASKO CO.
Trial Balance
October 31, 2017**

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 11,800	
Accounts Receivable.....	1,420	
Supplies	400	
Equipment.....	2,000	
Notes Payable		\$ 3,000
Accounts Payable.....		500
Owner's Capital		10,500
Owner's Drawings	300	
Service Revenue.....		2,670
Salaries and Wages Expense	500	
Rent Expense	250	
	<u>\$16,670</u>	<u>\$16,670</u>

EXERCISE 2-12B

(a)

General Journal					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
Sept. 1	Cash.....	101	25,000		
	Owner's Capital.....	301		25,000	
5	Equipment	157	30,000		
	Cash	101		7,500	
	Accounts Payable	201		22,500	
25	Accounts Payable	201	6,500		
	Cash	101		6,500	
30	Owner's Drawings.....	306	1,000		
	Cash	101		1,000	

EXERCISE 2-12B (Continued)**(b)**

Cash						No. 101
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1	25,000		25,000	
5		J1		7,500	17,500	
25		J1		6,500	11,000	
30		J1		1,000	10,000	

Equipment						No. 157
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1	30,000		30,000	

Accounts Payable						No. 201
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 5		J1		22,500	22,500	
25		J1	6,500		16,000	

Owner's Capital						No. 301
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 1		J1		25,000	25,000	

Owner's Drawings						No. 306
Date	Explanation	Ref.	Debit	Credit	Balance	
Sept. 30		J1	1,000		1,000	

EXERCISE 2-13B

<u>Error</u>	<u>(a) In Balance</u>	<u>(b) Difference</u>	<u>(c) Larger Column</u>
1.	No	\$500	Debit
2.	Yes	—	—
3.	No	400	Debit
4.	No	400	Debit
5.	Yes	—	—
6.	No	45	Credit

EXERCISE 2-14B

MORAN DELIVERY SERVICE
Trial Balance
July 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash (\$54,740 – Debit total without Cash \$40,830).....	\$ 13,910	
Accounts Receivable	5,220	
Prepaid Insurance	1,190	
Equipment.....	30,000	
Notes Payable.....		\$16,000
Accounts Payable		5,110
Salaries and Wages Payable		490
Owner’s Capital		26,780
Owner’s Drawings.....	420	
Service Revenue		6,360
Salaries and Wages Expense	2,660	
Maintenance and Repairs Expense.....	580	
Gasoline Expense	450	
Insurance Expense.....	310	
	<u>\$54,740</u>	<u>\$54,740</u>

SOLUTIONS TO PROBLEMS—SET C

PROBLEM 2-1C

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash.....		50,000	
	Owner's Capital			50,000
	(Owner's investment of cash in business)			
3	Land.....		23,000	
	Buildings		9,000	
	Equipment.....		6,000	
	Cash			38,000
	(Purchased Tee's Golf Land)			
5	Advertising Expense		1,600	
	Cash			1,600
	(Paid for advertising)			
6	Prepaid Insurance		1,480	
	Cash			1,480
	(Paid for one-year insurance policy)			
10	Equipment.....		2,600	
	Accounts Payable			2,600
	(Purchased equipment on account)			
18	Cash.....		800	
	Service Revenue.....			800
	(Received cash for services provided)			
19	Cash.....		1,500	
	Unearned Service Revenue			1,500
	(Received cash for future services)			

J1

PROBLEM 2-1C (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Owner's Drawings.....		2,000	
	Cash			2,000
	(Withdrew cash for personal use)			
30	Salaries and Wages Expense.....		600	
	Cash			600
	(Paid salaries)			
30	Accounts Payable		2,600	
	Cash			2,600
	(Paid creditor on account)			
31	Cash.....		500	
	Service Revenue			500
	(Received cash for services provided)			

PROBLEM 2-2C

(a)

Date	Account Titles and Explanation	Ref.	Debit	Credit
				J1
Apr. 1	Cash.....	101	45,000	
	Owner's Capital	301		45,000
	(Owner's investment of cash in business)			
1	No entry—not a transaction.			
2	Rent Expense.....	729	800	
	Cash	101		800
	(Paid monthly office rent)			
3	Supplies	126	1,500	
	Accounts Payable	201		1,500
	(Purchased supplies on account)			
10	Accounts Receivable.....	112	1,800	
	Service Revenue.....	400		1,800
	(Billed clients for services provided)			
11	Cash.....	101	500	
	Unearned Service Revenue	209		500
	(Received cash for future service)			
20	Cash.....	101	1,500	
	Service Revenue.....	400		1,500
	(Received cash for services provided)			
30	Salaries and Wages Expense	726	2,000	
	Cash	101		2,000
	(Paid monthly salary)			

PROBLEM 2-2C (Continued)

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable	201	600	
	Cash	101		600
	(Paid creditor on account)			

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	35,000		45,000
2		J1		800	44,200
11		J1	500		44,700
20		J1	1,500		46,200
30		J1		2,000	44,200
30		J1		600	43,600

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	1,800		1,800

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	1,500		1,500

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		1,500	1,500
30		J1	600		900

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		500	500

PROBLEM 2-2C (Continued)

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		45,000	45,000

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		1,800	1,800
20		J1		1,500	3,300

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,000		2,000

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	800		800

**(c) BARBARA FAIR, ARCHITECT
Trial Balance
April 30, 2017**

	Debit	Credit
Cash.....	\$43,600	
Accounts Receivable.....	1,800	
Supplies	1,500	
Accounts Payable.....		\$ 900
Unearned Service Revenue.....		500
Owner's Capital		45,000
Service Revenue.....		3,300
Salaries and Wages Expense	2,000	
Rent Expense.....	800	
	<u>\$49,700</u>	<u>\$49,700</u>

PROBLEM 2-3C

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	100,000	
	Owner's Capital		100,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	36,000	
	Cash		36,000
4.	Equipment	60,000	
	Cash		20,000
	Accounts Payable		40,000
5.	Prepaid Insurance	3,000	
	Cash		3,000
6.	Supplies	1,000	
	Cash		1,000
7.	Supplies	3,000	
	Accounts Payable		3,000
8.	Cash	10,000	
	Accounts Receivable	20,000	
	Service Revenue		30,000
9.	Accounts Payable	800	
	Cash		800
10.	Cash	5,000	
	Accounts Receivable		5,000
11.	Utilities Expense	400	
	Accounts Payable		400

PROBLEM 2-3C (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense.....	6,000	
	Cash		6,000

(b)

Cash	
(1)	100,000
	(3) 36,000
	(4) 20,000
	(5) 3,000
	(6) 1,000
(8)	10,000
	(9) 800
(10)	5,000
	(12) 6,000
	48,200

Equipment	
(4)	60,000
	60,000

Accounts Payable	
	(4) 40,000
	(7) 3,000
(9)	800
	(11) 400
	42,600

Accounts Receivable	
(8)	20,000
	(10) 5,000
	15,000

Owner's Capital	
	(1) 100,000
	100,000

Supplies	
(6)	1,000
(7)	3,000
	4,000

Service Revenue	
	(8) 30,000
	30,000

Prepaid Insurance	
(5)	3,000
	3,000

Salaries and Wages Expense	
(12)	6,000
	6,000

Prepaid Rent	
(3)	36,000
	36,000

Utilities Expense	
(11)	400
	400

PROBLEM 2-3C (Continued)

(c)

**HASKETT SERVICES
Trial Balance
May 31, 2017**

	Debit	Credit
Cash.....	\$ 48,200	
Accounts Receivable.....	15,000	
Supplies	4,000	
Prepaid Insurance.....	3,000	
Prepaid Rent	36,000	
Equipment.....	60,000	
Accounts Payable.....		\$ 42,600
Owner's Capital		100,000
Service Revenue		30,000
Salaries and Wages Expense	6,000	
Utilities Expense	400	
	\$172,600	\$172,600

PROBLEM 2-4C

**BILL BELLICHEK CO.
Trial Balance
June 30, 2017**

	Debit	Credit
Cash (\$2,840 + \$270)	\$ 3,110	
Accounts Receivable (\$3,231 – \$270)	2,961	
Supplies (\$800 – \$340)	460	
Equipment (\$3,000 + \$340)	3,340	
Accounts Payable (\$2,666 – \$206 – \$260).....		\$ 2,200
Unearned Service Revenue		1,200
Owner’s Capital		9,000
Owner’s Drawing (\$800 + \$500).....	1,300	
Service Revenue (\$2,380 + \$801)		3,181
Salaries and Wages Expense (\$3,400 + \$600 – \$500)	3,500	
Supplies Expense.....	910	
	\$15,581	\$15,581

PROBLEM 2-5C

(a)&(c)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			16,000
2		J1		3,000	13,000
9		J1	6,500		19,500
10		J1		7,000	12,500
12		J1		800	11,700
20		J1	7,200		18,900
20		J1		3,000	15,900
31		J1		4,800	11,100
31		J1	400		11,500
31		J1	7,000		18,500

Accounts Receivable					No. 112
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	400		400

Land					No. 140
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			42,000

Buildings					No. 145
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			18,000

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			16,000

PROBLEM 2-5C (Continued)

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			12,000
2		J1		3,000	15,000
10		J1	7,000		8,000

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			80,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		6,500	6,500
20		J1		7,200	13,700
31		J1		7,000	20,700

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		800	800

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	800		800

Rent Expense **No. 632**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	6,000		6,000
20		J1	3,000		9,000

PROBLEM 2-5C (Continued)

Salaries and Wages Expense

No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	4,800		4,800

(b)

Date	Account Titles and Explanation	Ref.	Debit	Credit	J1
Mar. 2	Rent Expense	632	6,000		
	Accounts Payable	201		3,000	
	Cash	101		3,000	
	(Rented films for cash and on account)				
3	No entry.				
9	Cash	101	6,500		
	Service Revenue.....	400		6,500	
	(Received cash for services provided)				
10	Accounts Payable (\$3,000 + \$4,000)	201	7,000		
	Cash	101		7,000	
	(Paid creditors on account)				
11	No entry.				
12	Advertising Expense	610	800		
	Cash	101		800	
	(Paid advertising expense)				
20	Cash	101	7,200		
	Service Revenue.....	400		7,200	
	(Received cash for services provided)				
20	Rent Expense	632	3,000		
	Cash	101		3,000	
	(Paid film rental)				

PROBLEM 2-5C (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar.31	Salaries and Wages Expense	726	4,800	
	Cash	101		4,800
	(Paid salaries expense)			
31	Cash.....	101	400	
	Accounts Receivable.....	112	400	
	Rent Revenue			
	(10% X \$8,000)	429		800
	(Received cash and balance			
	on account for rent			
	revenue)			
31	Cash.....	101	7,000	
	Service Revenue.....	400		7,000
	(Received cash for services			
	provided)			

(d)

JENSEN THEATER
Trial Balance
March 31, 2017

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 18,500	
Accounts Receivable	400	
Land	42,000	
Buildings.....	18,000	
Equipment.....	16,000	
Accounts Payable		\$ 8,000
Owner's Capital		80,000
Service Revenue		20,700
Rent Revenue		800
Advertising Expense	800	
Rent Expense	9,000	
Salaries and Wages Expense	4,800	
	<u>\$109,500</u>	<u>\$109,500</u>