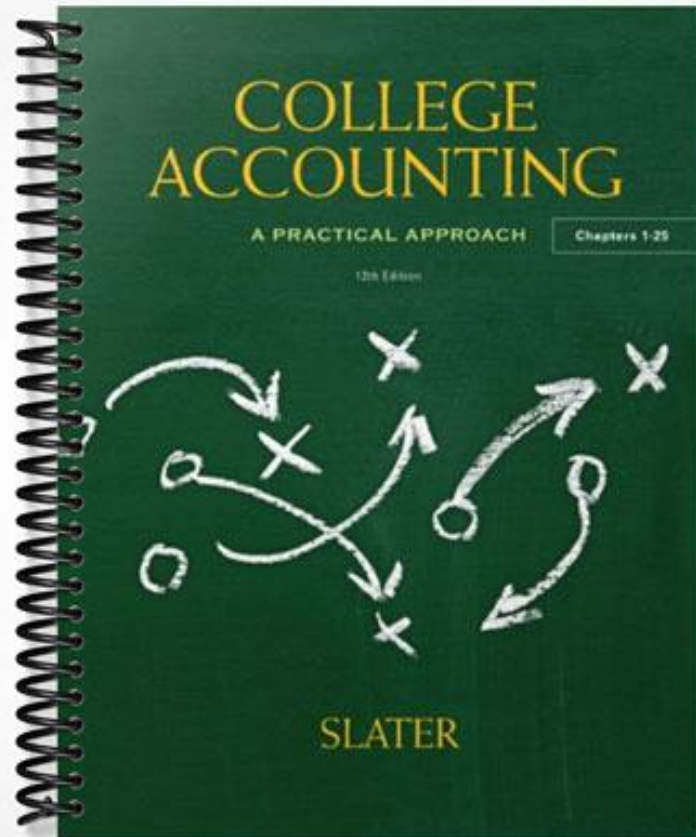


SOLUTIONS MANUAL



2

Debits and Credits: Analyzing and Recording Business Transactions

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. A ledger is a group of accounts that records in monetary value data from business transactions.
2. Because that is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The end product of the accounting process is preparing financial statements.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Accounts affected, category, ↑↓□rules, update of T accounts.
7. The analysis of transactions results in the total of debits being equaled to the total of credits. A double-entry system provides a system of checks and balances.
8. False. Informal report; does not have the same status as financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. These ending balances are then used on financial statements. The inside columns on financial statements are for subtotaling.
10. It is easier to prepare the reports from the trial balance, because a list of all accounts and their balances is provided. The columns for revenue, expenses, etc., on the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Audrey should be allowed to put fictitious figures into the trial balance. Although Audrey has good intentions in this case, I would not support this type of behavior. Her behavior is extremely unprofessional and goes against all accounting standards. Instead of putting in fictitious figures, Audrey should stay late and correct the trial balance (or maybe have an assistant help her so she could catch the plane).

CHAPTER 2 SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES

SET A

1. Cash	\$13,900	Debit Balance
Ken Dalton, Capital	\$24,000	Credit Balance

2. A. Liability	Cr.	Dr.	Cr.
B. Revenue	Cr.	Dr.	Cr.
C. Asset	Dr.	Cr.	Dr.
D. Capital	Cr.	Dr.	Cr.
E. Withdrawal	Dr.	Cr.	Dr.
F. Asset	Dr.	Cr.	Dr.
G. Expense	Dr.	Cr.	Dr.

3.

				<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Cash</td> </tr> <tr> <td style="border-right: 1px solid black; border-bottom: 1px solid black;">500</td> <td style="border-bottom: 1px solid black;"></td> </tr> </table>		Cash	500	
	Cash							
500								
Cash	Asset	↑	Dr.					
				<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Acc. Rec.</td> </tr> <tr> <td style="border-right: 1px solid black; border-bottom: 1px solid black;">4,500</td> <td style="border-bottom: 1px solid black;"></td> </tr> </table>		Acc. Rec.	4,500	
	Acc. Rec.							
4,500								
Accounts Receivable	Asset	↑	Dr.					
				<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Legal Fees Earned</td> </tr> <tr> <td style="border-right: 1px solid black; border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black; text-align: right;">5,000</td> </tr> </table>		Legal Fees Earned		5,000
	Legal Fees Earned							
	5,000							
Legal Fees Earned	Revenue	↑	Cr.					

4. Cash

Accounts Receivable
Office Equipment
Accounts Payable
B. O'Mally, Capital
B. O'Mally, Withdrawals
Hair Salon Fees Earned
Advertising Expense
Salary Expense
Selling Expense

5. A. BS
B. BS
C. BS
D. BS
E. OE
F. OE
G. IS
H. IS
I. IS
J. IS
K. IS

SOLUTIONS TO EXERCISES

Set A

2A-1. Balance Sheet Accounts

Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Panasonic HD Television

Liabilities

- 211 Accounts Payable

Owner's Equity

- 311 L. Janas, Capital
- 312 L. Janas, Withdrawals

Income Statement Accounts

Revenue

- 411 Legal Fees Earned

Expenses

- 511 Salary Expense
- 512 Repair Expense
- 513 Advertising Expense

2A-2.

1. Accounts Affected	2. Category	3. ↑ ↓	4. Rules	5. T-Account Update				
Computer Equipment	Asset	↑	Dr.	<table style="width: 100%; border-collapse: collapse; margin: 0 auto;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Computer Equipment</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">26,000</td> <td></td> </tr> </table>	Computer Equipment		26,000	
Computer Equipment								
26,000								
Cash	Asset	↓	Cr.	<table style="width: 100%; border-collapse: collapse; margin: 0 auto;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Cash</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">9,000</td> </tr> </table>	Cash			9,000
Cash								
	9,000							
Accounts Payable	Liability	↑	Cr.	<table style="width: 100%; border-collapse: collapse; margin: 0 auto;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Payable</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">17,000</td> </tr> </table>	Accounts Payable			17,000
Accounts Payable								
	17,000							

2A-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Computer Supplies	Asset	Dr.	Cr.	Balance Sheet
Legal Fees Earned	Revenue	Cr.	Dr.	Income Statement
P. Roy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Salaries Expense	Expense	Dr.	Cr.	Income Statement
Auto	Asset	Dr.	Cr.	Balance Sheet

2A-4.

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

2A-5.

(1)

**HILL'S CLEANERS
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X**

Revenue:										
Cleaning Fees						\$	4	1	5	
Operating Expenses:										
Salaries Expense	\$	1	0	0						
Utilities Expense		1	7	1						
Total Operating Expenses							2	7	1	
Net Income						\$	1	4	4	

(2)

**HILL'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X**

J. Hill, Capital, May 1, 201X						\$	1	0	8	6
Net Income for May	\$	1	4	4						
Less: Withdrawals for May		(2)	3	0						
Decrease in Capital								(8)	(6)	
J. Hill, Capital, July 31, 201X						\$	1	0	0	0

(3)

**HILL'S CLEANERS
BALANCE SHEET
MAY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$	8	0	0	Liabilities				
Equipment		7	0	0	Accounts Payable	\$	5	0	0
					Owner's Equity				
					J. Hill, Capital	1	0	0	0
					Total Liabilities and				
Total Assets	\$	1	5	0	Owner's Equity	\$	1	5	0

SOLUTIONS TO EXERCISES

Set B

2B-1. Balance Sheet Accounts

Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Copy Machine

Liabilities

- 211 Accounts Payable

Owner's Equity

- 311 L. Jones, Capital
- 312 L. Jones, Withdrawals

Income Statement Accounts

Revenue

- 411 Legal Fees Earned

Expenses

- 511 Salary Expense
- 512 Rent Expense
- 513 Advertising Expense

2B-2.

1. Accounts Affected	2. Category	3. ↑ ↓	4. Rules	5. T-Account Update				
Computer Equipment	Asset	↑	Dr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Computer Equipment</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;">11,000</td> <td></td> </tr> </table>	Computer Equipment		11,000	
Computer Equipment								
11,000								
Cash	Asset	↓	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Cash</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">10,000</td> </tr> </table>	Cash			10,000
Cash								
	10,000							
Accounts Payable	Liability	↑	Cr.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">Accounts Payable</td> </tr> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="text-align: right;">1,000</td> </tr> </table>	Accounts Payable			1,000
Accounts Payable								
	1,000							

2B-3.

ACCOUNT	CATEGORY	↑	↓	FINANCIAL STATEMENT
Office Supplies	Asset	Dr.	Cr.	Balance Sheet
Rental Fees Earned	Revenue	Cr.	Dr.	Income Statement
A. Troy, Withdrawals	Withdrawal	Dr.	Cr.	Statement of Owner's Equity
Accounts Payable	Liability	Cr.	Dr.	Balance Sheet
Wage Expense	Expense	Dr.	Cr.	Income Statement
Computer	Asset	Dr.	Cr.	Balance Sheet

2B-4.

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

2B-5.

(1)

**HUCK'S CLEANERS
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X**

Revenue:										
Cleaning Fees						\$	4	1	5	
Operating Expenses:										
Salaries Expense	\$	1	0	0						
Utilities Expense		1	7	1						
Total Operating Expenses							2	7	1	
Net Income						\$	1	4	4	

(2)

**HUCK'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X**

J. Huck, Capital, May 1, 201X						\$	1	0	8	6
Net Income for May	\$	1	4	4						
Less: Withdrawals for May		(2)	3	0						
Decrease in Capital								(8)	6	
J. Huck, Capital, May 31, 201X						\$	1	0	0	0

(3)

**HUCK'S CLEANERS
BALANCE SHEET
MAY 31, 201X**

ASSETS					LIABILITIES AND OWNER'S EQUITY				
Cash	\$	8	0	0	Liabilities				
Equipment		7	0	0	Accounts Payable	\$	5	0	0
					Owner's Equity				
					J. Huck, Capital	1	0	0	0
					Total Liabilities and				
Total Assets	\$	1	5	0	Owner's Equity	\$	1	5	0

SOLUTIONS TO GROUP A PROBLEMS

PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	B. Orwell, Capital
					28,000	28,000
B. Orwell, Capital	Capital*		↑	Cr.		
B. Delivery Trucks	Asset		↑	Dr.	Delivery Trucks	Accounts Payable
					12,000	12,000
Accounts Payable	Liability		↑	Cr.		
C. Rent Expense	Expense		↑	Dr.	Rent Expense	Accounts Payable
					1,200	1,200
Accounts Payable	Liability		↑	Cr.		
D. Cash	Asset		↑	Dr.	Cash	Delivery Fees Earned
					2,100	2,100
Delivery Fees Earned	Revenue		↑	Cr.		
E. Accounts Receivable	Asset		↑	Dr.	Accounts Receivable	Delivery Fees Earned
					300	300
Delivery Fees Earned	Revenue		↑	Cr.		
F. B. Orwell, Withdrawals	Withdrawal*		↑	Dr.	B. Orwell, Withdrawals	Cash
					800	800
Cash	Asset		↓	Cr.		

* A subdivision of Owner's Equity

PROBLEM 2A-2

Cash		111
(A) 40,000	150(D)	
(C) 2,000	300(E)	
	1,100(G)	

Office Equipment		121
(B) 7,000		

Accounts Payable		211
(G) 1,100	7,000 (B)	
	1,000 (F)	

Brian Pud, Capital		311
	40,000 (A)	

Brian Pud, Withdrawals		312
(D) 150		

Consulting Fees Earned		411
	2,000(C)	

Advertising Expense		511
(E) 300		

Rent Expense		512
(F) 1,000		

PROBLEM 2A-3

Cash 111	
(A) 10,000	300 (D)
(C) 4,000	400 (E)
	200 (F)
	300 (H)
	1,000 (I)
14,000	2,200
Bal 11,800	

Accounts Payable 211	
(D) 300	2,300 (C)
	2,000 Bal

Cleaning Fees Earned 411	
	7,000 (B)

Accounts Receivable 112	
(B) 7,000	4,000 (G)
Bal 3,000	

Brad Joy, Capital 311	
	10,000 (A)

Rent Expense 511	
(F) 200	

Office Equipment 121	
(C) 2,300	
(H) 300	
Bal 2,600	

Brad Joy, Withdrawals 312	
(I) 1,000	

Utilities Expense 512	
(E) 400	

(2)

**BRAD'S CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 201X**

Dr.

Cr.

Cash	11	8	0	0					
Accounts Receivable	3	0	0	0					
Office Equipment	2	6	0	0					
Accounts Payable					2	0	0	0	0
Brad Joy, Capital					10	0	0	0	0
Brad Joy, Withdrawals	1	0	0	0					
Cleaning Fees Earned					7	0	0	0	0
Rent Expense		2	0	0					
Utilities Expense		4	0	0					
Totals	19	0	0	0	19	0	0	0	0

PROBLEM 2A-4

(A)

**GAIL LUCAS, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X**

Revenue:									
Revenue from Legal Fees						\$1	6	5	0
Operating Expenses:									
Utilities Expense	\$	3	5	0					
Rent Expense		6	5	0					
Salaries Expense		1	5	0					
Total Operating Expenses						1	1	5	0
Net Income						\$	5	0	0

(B)

**GAIL LUCAS, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X**

Gail Lucas, Capital, May 1, 201X						\$3	6	9	0
Net Income for May	\$	5	0	0					
Less: Withdrawals for May		(6	0	0)					
Decrease in Capital							(1	0	0)
Gail Lucas, Capital, May 31, 201X						\$3	5	9	0

**GAIL LUCAS, ATTORNEY AT LAW
BALANCE SHEET
MAY 31, 201X**

(C)

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$5	0	0	0		Liabilities								
Accounts Receivable	1	1	0	0		Accounts Payable	\$3	0	0	0				
Office Equipment	1	2	5	0		Salaries Payable		7	6	0				
						Total Liabilities					\$3	7	6	0
						Owner's Equity								
						Gail Lucas, Capital					3	5	9	0
						Total Liabilities and								
Total Assets	\$7	3	5	0		Owner's Equity					\$7	3	5	0

PROBLEM 2A-5

(1, 2, 3)

Cash 111	
(A) 29,000	600 (C)
(E) 2,300	650 (D)
(J) 250	600 (F)
	1,600 (G)
	300 (K)
31,550	3,750
27,800	

Accounts Payable 211	
	12,000 (B)
	200 (I)
	12,200

Advertising Expense 511	
(D) 650	

Accounts Receivable 112	
(H) 1,700	250 (J)
1,450	

A. Annis, Capital 311	
	29,000 (A)

Gas Expense 512	
(G) 1,600	

Office Equipment 121	
(C) 600	

A. Annis, Withdrawals 312	
(K) 300	

Salaries Expense 513	
(F) 600	

Delivery Trucks 122	
(B) 12,000	

Delivery Fees Earned 411	
	2,300 (E)
	1,700 (H)
	4,000

Telephone Expense 514	
(I) 200	

PROBLEM 2A-5 (CONTINUED)

(4)

**ANNIS'S DELIVERY SERVICE
TRIAL BALANCE
AUGUST 31, 201X**

	Dr.				Cr.			
Cash	27	8	0	0				
Accounts Receivable	1	4	5	0				
Office Equipment		6	0	0				
Delivery Trucks	12	0	0	0				
Accounts Payable					12	2	0	0
A. Annis, Capital					29	0	0	0
A. Annis, Withdrawals		3	0	0				
Delivery Fees Earned					4	0	0	0
Advertising Expense		6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Totals	45	2	0	0	45	2	0	0

(5A)

**ANNIS'S DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED AUGUST 31, 201X**

Revenue:								
Delivery Fees Earned					\$4	0	0	0
Operating Expenses:								
Advertising Expense	\$	6	5	0				
Gas Expense	1	6	0	0				
Salaries Expense		6	0	0				
Telephone Expense		2	0	0				
Total Operating Expenses					3	0	5	0
Net Income					\$	9	5	0

PROBLEM 2A-5 (CONCLUDED)

(5B)

**ANNIS'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED AUGUST 31, 201X**

A. Annis, Capital, August 1, 201X						\$29	0	0	0	
Net Income for August	\$	9	5	0						
Less: Withdrawals for August		(3	0	0)						
Increase in Capital							6	5	0	
A. Annis, Capital, August 31, 201X						\$29	6	5	0	

(5C)

**ANNIS'S DELIVERY SERVICE
BALANCE SHEET
AUGUST 31, 201X**

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	\$27	8	0	0		Liabilities					
Accounts Receivable	1	4	5	0		Accounts Payable	\$12	2	0	0	
Office Equipment		6	0	0							
Delivery Trucks	12	0	0	0		Owner's Equity					
						A. Annis, Capital	29	6	5	0	
						Total Liabilities and					
Total Assets	\$41	8	5	0		Owner's Equity	\$41	8	5	0	

SOLUTIONS TO GROUP B PROBLEMS

PROBLEM 2B-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	B. Om, Capital
					50,000	50,000
B. Om, Capital	Capital		↑	Cr.		
B. Delivery Trucks	Asset		↑	Dr.	Delivery Trucks	Accounts Payable
					7,000	7,000
Accounts Payable	Liability		↑	Cr.		
C. Rent Expense	Expense		↑	Dr.	Rent Expense	Accounts Payable
					1,200	1,200
Accounts Payable	Liability		↑	Cr.		
D. Cash	Asset		↑	Dr.	Cash	Delivery Fees Earned
					1,700	1,700
Delivery Fees Earned	Revenue		↑	Cr.		
E. Accounts Receivable	Asset		↑	Dr.	Accounts Receivable	Delivery Fees Earned
					150	150
Delivery Fees Earned	Revenue		↑	Cr.		
F. B. Om, Withdrawals	Withdrawal		↑	Dr.	B. Om, Withdrawals	Cash
					100	100
Cash	Asset		↓	Cr.		

PROBLEM 2B-2

		Cash	111
(A) 18,000		50 (D)	
(C) 2,400		200 (E)	
		900 (G)	
Office Equipment		121	
(B) 4,000			
Accounts Payable		211	
(G) 900		4,000 (B)	
		1,200 (F)	
Brian Pud, Capital		311	
		18,000 (A)	

		Brian Pud, Withdrawals	312
(D) 50			
Consulting Fees Earned		411	
		2,400 (C)	
Advertising Expense		511	
(E) 200			
Rent Expense		512	
(F) 1,200			

PROBLEM 2B-3

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Cash 111</th> </tr> <tr> <td style="width: 50%;">12,000 (A)</td> <td style="width: 50%;">1,000 (D)</td> </tr> <tr> <td>3,500 (G)</td> <td>150 (E)</td> </tr> <tr> <td></td> <td>100 (F)</td> </tr> <tr> <td></td> <td>250 (H)</td> </tr> <tr> <td></td> <td>600 (I)</td> </tr> <tr> <td style="border-top: 1px solid black;">15,500</td> <td style="border-top: 1px solid black;">2,100</td> </tr> <tr> <td>Bal. 13,400</td> <td></td> </tr> </table>	Cash 111		12,000 (A)	1,000 (D)	3,500 (G)	150 (E)		100 (F)		250 (H)		600 (I)	15,500	2,100	Bal. 13,400		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Accounts Payable 211</th> </tr> <tr> <td style="width: 50%;">1,000 (D)</td> <td style="width: 50%;">1,400 (C)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">Bal. 400</td> </tr> </table>	Accounts Payable 211		1,000 (D)	1,400 (C)																Bal. 400	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Cleaning Fees Earned 411</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: center;">14,000 (B)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </table>	Cleaning Fees Earned 411			14,000 (B)																				
Cash 111																																																														
12,000 (A)	1,000 (D)																																																													
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(B)

**BRAD'S CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 201X**

	Dr.				Cr.			
Cash	13	4	0	0				
Accounts Receivable	10	5	0	0				
Office Equipment	1	6	5	0				
Accounts Payable						4	0	0
Brad Joy, Capital					12	0	0	0
Brad Joy, Withdrawals		6	0	0				
Cleaning Fees Earned					14	0	0	0
Rent Expense		1	0	0				
Utilities Expense		1	5	0				
Totals	26	4	0	0	26	4	0	0

PROBLEM 2B-4

(A)

**GAIL LUCAS, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED MAY 31, 201X**

Revenue:										
Revenue from Legal Fees						\$1	8	0	0	
Operating Expenses:										
Utilities Expense	\$	1	5	0						
Rent Expense		5	0	0						
Salaries Expense		5	0	0						
Total Operating Expenses						1	1	5	0	
Net Income						\$	6	5	0	

(B)

**GAIL LUCAS, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED MAY 31, 201X**

Gail Lucas, Capital, May 1, 201X						\$1	1	8	0	
Net Income for May	\$	6	5	0						
Less: Withdrawals for May		(8	0	0)						
Decrease in Capital						(1	5	0)		
Gail Lucas, Capital, May 31, 201X						\$1	0	3	0	

PROBLEM 2B-4 (CONTINUED)

(C)

**GAIL LUCAS, ATTORNEY AT LAW
BALANCE SHEET
MAY 31, 201X**

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$6	0	0	0	Liabilities									
Accounts Receivable		7	5	0	Accounts Payable	\$6	2	0	0					
Office Equipment	1	2	5	0	Salaries Payable		7	7	0					
					Total Liabilities					\$6	9	7	0	
					Owner's Equity									
					Gail Lucas, Capital					1	0	3	0	
					Total Liabilities and									
Total Assets	\$8	0	0	0	Owner's Equity					\$8	0	0	0	

PROBLEM 2B-5

(1, 2, 3)

Cash 111	
(A) 17,000	600 (C)
(E) 3,500	350 (D)
(J) 400	900 (F)
	1,700 (G)
	250 (K)
20,900	3,800
Bal. 17,100	

Accounts Payable 211	
	11,000 (B)
	600 (I)
	Bal. 11,600

Advertising Expense 511	
(D) 350	

Accounts Receivable 112	
(H) 1,600	400 (J)
Bal. 1,200	

A. Annis, Capital 311	
	17,000 (A)

Gas Expense 512	
(G) 1,700	

Office Equipment 121	
(C) 600	

A. Annis, Withdrawals 312	
(K) 250	

Salaries Expense 513	
(F) 900	

Delivery Trucks 122	
(B) 11,000	

Delivery Fees Earned 411	
	3,500 (E)
	1,600 (H)
	Bal. 5,100

Telephone Expense 514	
(I) 600	

PROBLEM 2B-5 (CONTINUED)
(4)

ANNIS'S DELIVERY SERVICE
TRIAL BALANCE
AUGUST 31, 201X

	Dr.				Cr.			
Cash	17	1	0	0				
Accounts Receivable	1	2	0	0				
Office Equipment		6	0	0				
Delivery Trucks	11	0	0	0				
Accounts Payable					11	6	0	0
A. Annis, Capital					17	0	0	0
A. Annis, Withdrawals		2	5	0				
Delivery Fees Earned					5	1	0	0
Advertising Expense		3	5	0				
Gas Expense	1	7	0	0				
Salaries Expense		9	0	0				
Telephone Expense		6	0	0				
Totals	33	7	0	0	33	7	0	0

(5A)

ANNIS'S DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED AUGUST 31, 201X

Revenue:								
Delivery Fees Earned					\$5	1	0	0
Operating Expenses:								
Advertising Expense	\$	3	5	0				
Gas Expense	1	7	0	0				
Salaries Expense		9	0	0				
Telephone Expense		6	0	0				
Total Operating Expenses					3	5	5	0
Net Income					\$1	5	5	0

PROBLEM 2B-5 (CONCLUDED)

(5B)

**ANNIS'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED AUGUST 31, 201X**

A. Annis, Capital, May 1, 201X						\$17	0	0	0
Net Income for May	\$1	5	5	0					
Less: Withdrawals for May		(2)	5	0)					
Increase in Capital						1	3	0	0
A. Annis, Capital, May 31, 201X						\$18	3	0	0

(5C)

**ANNIS'S DELIVERY SERVICE
BALANCE SHEET
AUGUST 31, 201X**

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$17	1	0	0		Liabilities				
Accounts Receivable	1	2	0	0		Accounts Payable	\$11	6	0	0
Office Equipment			6	0	0					
Delivery Trucks	11	0	0	0		Owner's Equity				
						A. Annis, Capital	18	3	0	0
						Total Liabilities and				
Total Assets	\$29	9	0	0		Owner's Equity	\$29	9	0	0

FINANCIAL REPORT PROBLEM SOLUTION—2010 Kellogg's Annual Report

\$1149
- 1077
\$ 77

Accounts payable increased by \$77 million in 2010.

ON THE JOB--Sanchez Computer Center Solution

Cash 1000 3,850 (bal) 900 (P) 150 (L) 200 (M) 1,400 (N) 85 (Q) 50 (R) 1,885 4,750 2,865	Accounts Receivable 850 (O)	Supplies 1030 250 (bal) 200 (S) 450	Computer Shop equipment 1080 1,200 (bal)
Office Equipment 1090 600 (bal)	Accounts Payable 2000 200(M) 85 (Q) 335 (bal) 155(K) 200(S) 285 690 405	Accounts Receivable 850 (O)	Freedman, Capital 3000 4,500 (bal)
Service Revenue 4000 1,650 (bal) 850 (O) 900 (P) 3,400	Advertising Expense 5010 1,400 (N)	Service Revenue 4000 1,650 (bal) 850 (O) 900 (P) 3,400	Rent Expense 5020 400 (bal)
Freedman, Withdrawals 3010 100 bal	Phone Expense 5040 155 (K)	Supplies Expense 5050 0	Insurance Expense 5060 150 (L)
Utilities Expense 5030 85 bal	Postage Expense 5070 50 (R)		

**TRIAL BALANCE
AUGUST 31, 201X**

Dr.

Cr.

Cash	2	8	6	5	00					
Accounts Receivable		8	5	0	00					
Supplies		4	5	0	00					
Computer Shop Equipment	1	2	0	0	00					
Office Equipment		6	0	0	00					
Accounts Payable							4	0	5	00
Freedman, Capital						4	5	0	0	00
Freedman, Withdrawals		1	0	0	00					
Service Revenue						3	4	0	0	00
Advertising Expense	1	4	0	0	00					
Rent Expense		4	0	0	00					
Utilities Expense			8	5	00					
Phone Expense		1	5	5	00					
Insurance Expense		1	5	0	00					
Postage Expense			5	0	00					
Totals	8	3	0	5	00	8	3	0	5	00

**SANCHEZ COMPUTER CENTER
INCOME STATEMENT
FOR THE TWO MONTHS ENDED AUGUST 31, 201X**

Revenue:										
Service Revenue						\$3	4	0	0	00
Operating Expenses:										
Advertising Expense	\$1	4	0	0	00					
Rent Expense		4	0	0	00					
Utilities Expense			8	5	00					
Phone Expense		1	5	5	00					
Insurance Expense		1	5	0	00					
Postage Expense			5	0	00					
						2	2	4	0	00
Net Income						1	1	6	0	00

