

**SOLUTIONS MANUAL**



SURVEY OF

**ACCOUNTING**

SIXTH EDITION



CARL S. WARREN

# APPENDIX A

## DOUBLE-ENTRY ACCOUNTING SYSTEMS

### EXERCISES

#### E-1

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

#### E-2

a. and b.

Transaction	Account Debited		Account Credited	
	Type	Effect	Type	Effect
(1)	asset	+	capital stock	+
(2)	asset	+	asset	-
(3)	asset	+	asset	-
			liability	+
(4)	expense	+	asset	-
(5)	asset	+	revenue	+
(6)	liability	-	asset	-
(7)	asset	+	asset	-
(8)	expense	+	asset	-
(9)	dividend	+	asset	-

E-3

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

E-4

**WILD RIVER TOURS CO.**  
**Trial Balance**  
**May 31, 2012**

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

## E-5

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

## E-6

- |   |                   |
|---|-------------------|
| a. Liability—credit                               | f. Revenue—credit |
| b. Asset—debit                                    | g. Asset—debit    |
| c. Stockholders' equity<br>(Capital stock)—credit | h. Expense—debit  |
| d. Asset—debit                                    | i. Asset—debit    |
| e. Stockholders' equity<br>(Dividends)—debit      | j. Expense—debit  |

## E-7

- a. The increase of \$184,000 ( $\$515,000 - \$331,000$ ) in the cash account does not necessarily indicate earnings of that amount. Earnings will represent the net change in all assets and liabilities from operating transactions.
- b. \$38,350 ( $\$222,350 - \$184,000$ )

**E-8**

a.

Accounts Payable		
		Oct. 1                    X
	<u>100,000</u>	<u>115,150</u>
		Oct. 31                    39,000

$$X + \$115,150 - \$100,000 = \$39,000$$

$$X = \$39,000 + \$100,000 - \$115,150$$

$$X = \$23,850$$

b.

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

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

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

$$X = \$320,400$$

c.

Cash		
June 1	20,000	
	<u>279,100</u>	X
June 30	15,500	<u>          </u>

$$\$20,000 + \$279,100 - X = \$15,500$$

$$X = \$20,000 + \$279,100 - \$15,500$$

$$X = \$283,600$$

**E-9****2012**

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

E-10

a.

2012			
Nov. 2	Supplies .....	1,800	
	Accounts Payable .....		1,800

b., c., d.

**Supplies**

2012		
Nov. 1 Bal.	1,050	
2	<u>1,800</u>	
Nov. 30 Bal.	2,850	

**Accounts Payable**

	2012	
	Nov. 1 Bal.	15,600
	2	<u>1,800</u>
	Nov. 30 Bal.	17,400

**E-11**

**a.**

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

**b.**

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



**CUPID CO.  
Trial Balance  
December 31, 2012**

	<u>Debit Balances</u>	<u>Credit Balances</u>
Cash .....	26,000*	
Accounts Receivable .....	59,900	
Supplies .....	3,150	
Prepaid Insurance .....	4,500	
Land.....	127,500	
Accounts Payable .....		28,000
Unearned Rent.....		13,500
Notes Payable.....		60,000
Capital Stock .....		50,000
Retained Earnings.....		83,500
Dividends .....	30,000	
Fees Earned.....		465,000
Wages Expense .....	262,500	
Rent Expense .....	90,000	
Utilities Expense .....	62,250	
Supplies Expense.....	11,850	
Insurance Expense.....	9,000	
Miscellaneous Expense .....	<u>13,350</u>	
	<u>700,000</u>	<u>700,000</u>

**\*Hint:** Total debits must equal total credits. To get the cash amount, first find the total Credit column balance, which is \$700,000. Once you know that the total credit column balance is \$700,000, then you know that the total Debit column must be the same amount. Once you have the total balance for the Debit column, \$700,000, you can solve for the missing number, which is cash.

Cash must be:  $\$700,000 - \$13,350 - \$9,000 - \$11,850 - \$62,250 - \$90,000 - \$262,500 - \$30,000 - \$127,500 - \$4,500 - \$3,150 - \$59,900 = \$26,000$

## PROBLEMS

**P-1**

**1.**

<b>(a)</b>	Cash .....	<b>20,000</b>	
	<b>Capital Stock</b> .....		<b>20,000</b>
<b>(b)</b>	Supplies .....	<b>1,000</b>	
	<b>Accounts Payable</b> .....		<b>1,000</b>
<b>(c)</b>	Cash .....	<b>12,250</b>	
	<b>Sales Commissions</b> .....		<b>12,250</b>
<b>(d)</b>	Rent Expense .....	<b>3,800</b>	
	<b>Cash</b> .....		<b>3,800</b>
<b>(e)</b>	Accounts Payable .....	<b>600</b>	
	<b>Cash</b> .....		<b>600</b>
<b>(f)</b>	Dividends.....	<b>3,000</b>	
	<b>Cash</b> .....		<b>3,000</b>
<b>(g)</b>	Automobile Expense .....	<b>1,500</b>	
	<b>Miscellaneous Expense</b> .....	<b>400</b>	
	<b>Cash</b> .....		<b>1,900</b>
<b>(h)</b>	Office Salaries Expense .....	<b>3,100</b>	
	<b>Cash</b> .....		<b>3,100</b>
<b>(i)</b>	Supplies Expense .....	<b>725</b>	
	<b>Supplies</b> .....		<b>725</b>

**P-1, Concluded**

2.

Cash				Sales Commissions	
(a)	20,000	(d)	3,800		(c) 12,250
(c)	12,250	(e)	600		
		(f)	3,000		
		(g)	1,900		
		(h)	<u>3,100</u>		
Bal.	<u>19,850</u>			(d)	3,800

  

Supplies				Office Salaries Expense	
(b)	<u>1,000</u>	(i)	<u>725</u>	(h)	3,100
Bal.	275				

  

Accounts Payable				Automobile Expense	
(e)	<u>600</u>	(b)	<u>1,000</u>	(g)	1,500
		Bal.	400		

  

Capital Stock				Supplies Expense	
		(a)	20,000	(i)	725

  

Dividends				Miscellaneous Expense	
(f)	3,000			(g)	400

3.

**VALLEY REALTY**  
**Trial Balance**  
**March 31, 2012**

	Debit Balances	Credit Balances
Cash .....	19,850	
Supplies .....	275	
Accounts Payable .....		400
Capital Stock .....		20,000
Dividends .....	3,000	
Sales Commissions .....		12,250
Rent Expense .....	3,800	
Office Salaries Expense.....	3,100	
Automobile Expense.....	1,500	
Supplies Expense.....	725	
Miscellaneous Expense .....	400	
	<u>32,650</u>	<u>32,650</u>

P-2

2. and 3.

2012

Nov. 1	Office Supplies .....	2,100	
	Accounts Payable .....		2,100
2	Rent Expense .....	4,000	
	Cash .....		4,000
3	Cash .....	44,600	
	Accounts Receivable .....		44,600
5	Prepaid Insurance .....	5,700	
	Cash .....		5,700
9	Accounts Payable .....	400	
	Office Supplies .....		400
17	Advertising Expense .....	5,500	
	Cash .....		5,500
23	Accounts Payable .....	4,950	
	Cash .....		4,950
29	Miscellaneous Expense .....	500	
	Cash .....		500
30	Automobile Expense .....	1,500	
	Cash .....		1,500
30	Cash .....	1,000	
	Salary and Commission Expense .....		1,000
30	Salary and Commission Expense .....	27,800	
	Cash .....		27,800
30	Accounts Receivable .....	83,000	
	Fees Earned .....		83,000
30	Land .....	75,000	
	Cash .....		10,000
	Notes Payable .....		65,000
30	Dividends .....	5,000	
	Cash .....		5,000
30	Cash .....	3,600	
	Unearned Rent .....		3,600

**P-2, Continued**

1. and 3.

**Cash**

2012			
Nov. 1 Bal.	33,920	Nov. 2	4,000
3	44,600	5	5,700
30	1,000	17	5,500
30	3,600	23	4,950
		29	500
		30	1,500
		30	27,800
		30	10,000
		30	<u>5,000</u>
Nov. 30 Bal.	<u>18,170</u>		

**Accounts Receivable**

2012			
Nov. 1 Bal.	69,800	Nov. 3	44,600
30	<u>83,000</u>		
Nov. 30 Bal.	108,200		

**Prepaid Insurance**

2012			
Nov. 1 Bal.	7,200		
5	<u>5,700</u>		
Nov. 30 Bal.	12,900		

**Office Supplies**

2012			
Nov. 1 Bal.	1,600	Nov. 9	400
1	<u>2,100</u>		
Nov. 30 Bal.	3,300		

**P-2, Continued**

**Land**

<b>2012</b>		
<b>Nov. 30</b>	<u><b>75,000</b></u>	
<b>Nov. 30 Bal.</b>	<b>75,000</b>	

**Accounts Payable**

		<b>2012</b>
<b>Nov. 9</b>	<b>400</b>	<b>Nov. 1 Bal.</b> <b>9,920</b>
<b>23</b>	<u><b>4,950</b></u>	<b>1</b> <u><b>2,100</b></u>
		<b>Nov. 30 Bal.</b> <b>6,670</b>

**Unearned Rent**

		<b>2012</b>
		<b>Nov. 30</b> <u><b>3,600</b></u>
		<b>Nov. 30 Bal.</b> <b>3,600</b>

**Notes Payable**

		<b>2012</b>
		<b>Nov. 30</b> <u><b>65,000</b></u>
		<b>Nov. 30 Bal.</b> <b>65,000</b>

**P-2, Continued**

**Capital Stock**

		<b>2012</b>	
		<b>Nov. 1 Bal.</b>	<b>10,000</b>

**Retained Earnings**

		<b>2012</b>	
		<b>Nov. 1 Bal.</b>	<b>53,080</b>

**Dividends**

<b>2012</b>			
<b>Nov. 1 Bal.</b>	<b>25,600</b>		
<b>30</b>	<b><u>5,000</u></b>		
<b>Nov. 30 Bal.</b>	<b>30,600</b>		

**Fees Earned**

		<b>2012</b>	
		<b>Nov. 1 Bal.</b>	<b>352,000</b>
		<b>30</b>	<b><u>83,000</u></b>
		<b>Nov. 30 Bal.</b>	<b>435,000</b>

**Salary and Commission Expense**

<b>2012</b>			
<b>Nov. 1 Bal.</b>	<b>224,000</b>	<b>Nov. 30</b>	<b>1,000</b>
<b>30</b>	<b><u>27,800</u></b>		<b><u>      </u></b>
<b>Nov. 30 Bal.</b>	<b>250,800</b>		

**P-2, Continued**

**Rent Expense**

<b>2012</b>	
Nov. 1 Bal.	<b>28,000</b>
2	<u><b>4,000</b></u>
Nov. 30 Bal.	<b>32,000</b>

**Advertising Expense**

<b>2012</b>	
Nov. 1 Bal.	<b>22,880</b>
17	<u><b>5,500</b></u>
Nov. 30 Bal.	<b>28,380</b>

**Automobile Expense**

<b>2012</b>	
Nov. 1 Bal.	<b>10,240</b>
30	<u><b>1,500</b></u>
Nov. 30 Bal.	<b>11,740</b>

**Miscellaneous Expense**

<b>2012</b>	
Nov. 1 Bal.	<b>1,760</b>
29	<u><b>500</b></u>
Nov. 30 Bal.	<b>2,260</b>



P-2, Concluded

4.

**APPLE REALTY**  
**Trial Balance**  
**November 30, 2012**

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	<u>Debit</u> <u>Balances</u>	<u>Credit</u> <u>Balances</u>
Cash .....	18,170	
Accounts Receivable .....	108,200	
Prepaid Insurance .....	12,900	
Office Supplies .....	3,300	
Land.....	75,000	
Accounts Payable .....		6,670
Unearned Rent.....		3,600
Notes Payable.....		65,000
Capital Stock .....		10,000
Retained Earnings.....		53,080
Dividends .....	30,600	
Fees Earned.....		435,000
Salary and Commission Expense .....	250,800	
Rent Expense .....	32,000	
Advertising Expense.....	28,380	
Automobile Expense.....	11,740	
Miscellaneous Expense .....	2,260	
	<u>573,350</u>	<u>573,350</u>