

CHAPTER 2

THE RECORDING PROCESS

SUMMARY OF QUESTIONS BY STUDY OBJECTIVES AND BLOOM'S TAXONOMY

Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT	Item	SO	BT
Exercises														
1.	1	C	8.	1	C	15.	2	AP	22.	2,3	AP	29.	3	AP
2.	1	C	9.	1	C	16.	2	AP	23.	2,3	AP	30.	3	AN
3.	1	C	10.	1	C	17.	2	AP	24.	2,3	AP	31.	3	AN
4.	1	C	11.	2	C	18.	2	AP	25.	2,3	AP	32.	3	AN
5.	1	C	12.	2	AP	19.	2	AP	26.	2,3	AP	33.	3	AN
6.	1	C	13.	2	AP	20.	2	C	27.	3	AP	34.	3	AP
7.	1	C	14.	2	AP	21.	2,3	AP	28.	3	AP			

Note: C = Comprehension AP = Application AN = Analysis

SUMMARY OF STUDY OBJECTIVES BY QUESTION TYPE

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
Study Objective 1									
1.	Ex	3.	Ex	5.	Ex	7.	Ex	9.	Ex
2.	Ex	4.	Ex	6.	Ex	8.	Ex	10.	Ex
Study Objective 2									
11.	Ex	15.	Ex	19.	Ex	23.	Ex		
12.	Ex	16.	Ex	20.	Ex	24.	Ex		
13.	Ex	17.	Ex	21.	Ex	25.	Ex		
14.	Ex	18.	Ex	22.	Ex	26.	Ex		
Study Objective 3									
21.	Ex	24.	Ex	27.	Ex	30.	Ex	33.	Ex
22.	Ex	25.	Ex	28.	Ex	31.	Ex	34.	Ex
23.	Ex	26.	Ex	29.	Ex	32.	Ex		

Note: Ex = Exercise

SUMMARY OF QUESTIONS BY LEVEL OF DIFFICULTY (LOD)

Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD	Item	SO	LOD
Exercises														
1.	1	E	8.	1	E	15.	2	M	22.	2,3	M	29.	3	M
2.	1	E	9.	1	E	16.	2	M	23.	2,3	M	30.	3	E
3.	1	E	10.	1	E	17.	2	M	24.	2,3	H	31.	3	E
4.	1	E	11.	2	M	18.	2	M	25.	2,3	H	32.	3	E
5.	1	E	12.	2	M	19.	2	M	26.	2,3	H	33.	3	E
6.	1	M	13.	2	M	20.	2	E	27.	3	E	34.	3	H
7.	1	H	14.	2	M	21.	2,3	H	28.	3	M			

Note: E = Easy M = Medium H=Hard

CHAPTER STUDY OBJECTIVES

- 1. Define debits and credits and illustrate how they are used to record transactions.** Debit means left and credit means right. The normal balance of an asset is a debit because assets are on the left side of the accounting equation. Assets are increased by debits and decreased by credits. The normal balance of liabilities and owner's capital is a credit because they are on the right side of the accounting equation. Liabilities and owner's capital are increased by credits and decreased by debits. Revenues increase owner's equity and therefore are recorded as credits because credits increase owner's equity. Credits increase revenues and debits decrease revenues. Expenses and drawings decrease owner's equity and therefore are recorded as debits because debits decrease owner's equity. Expenses and drawings are increased by debits and decreased by credits.
- 2. Explain the recording process and analyze, journalize, and post transactions.** The steps in the recording process are the first three steps in the accounting cycle. These steps are: (a) analyze each transaction for its effect on the accounts, (b) record the transaction in a journal, and (c) transfer the journal information to the correct accounts in the ledger.

A journal: (a) discloses the complete effect of a transaction in one place, (b) provides a chronological record of transactions, (c) helps to prevent and locate errors because the debit and credit amounts for each entry can be easily compared, and (d) explains the transaction and, if there is one, identifies the source document.

The entire group of accounts maintained by a company is called the ledger. The ledger keeps in one place all the information about changes in each of the specific account balances. Posting is the procedure of transferring journal entries to the ledger accounts. After the journal entries have been posted, the ledger will show all of the increases and decreases that have been made to each account.
- 3. Explain the purpose of a trial balance, and prepare one.** A trial balance is a list of the accounts in the ledger and the account balances at a specific time. Its main purpose is to prove that debits and credits are equal after posting. A trial balance uncovers certain types of errors in journalizing and posting, and is useful in preparing financial statements. Preparing a trial balance is the fourth step in the accounting cycle.

EXERCISES

Exercise 1

The chart of accounts used by Quick Copy Company is listed below. You are to indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

CHART OF ACCOUNTS

10 Cash	30 D. Quick, Capital
12 Accounts Receivable	35 D. Quick, Drawings
15 Paper Supplies	40 Photocopy Revenue
18 Copy Machines	51 Advertising Expense
22 Accounts Payable	53 Rent Expense
25 Notes Payable	54 Wages Expense
28 Unearned Revenue	

	Number(s) of account(s) debited	Number(s) of account(s) credited
1. Don Quick invests \$90,000 cash to start the business.		
2. Purchased three photocopy machines for \$200,000, paying \$50,000 cash and signing a 5-year, 6% note for the remainder.		
3. Purchased \$5,000 paper supplies on credit.		
4. Cash photocopy revenue amounted to \$7,000.		
5. Paid \$500 cash for radio advertising.		
6. Paid \$800 on account for paper supplies purchased in transaction 3.		
7. Don Quick withdrew \$1,500 from the business for personal expenses.		
8. Paid \$1,200 cash for rent for the current month.		
9. Received \$2,000 cash advance from a customer for future copying.		
10. Billed a customer for \$450 for photocopy work done.		

11. Paid \$400 for wages for the month.

Solution Exercise 1 (15 min.)

	Number(s) of account(s) debited	Number(s) of account(s) credited
1. Don Quick invests \$90,000 cash to start the business.	10	30
2. Purchased three photocopier machines for \$200,000, paying \$50,000 cash and signing a 5-year, 6% note for the remainder.	18	10, 25
3. Purchased \$5,000 paper supplies on credit.	15	22
4. Cash photocopier revenue amounted to \$7,000.	10	40
5. Paid \$500 cash for radio advertising.	51	10
6. Paid \$800 on account for paper supplies purchased in transaction 3.	22	10
7. Don Quick withdrew \$1,500 from the business for personal expenses.	35	10
8. Paid \$1,200 cash for rent for the current month.	53	10
9. Received \$2,000 cash advance from a customer for future copying.	10	28
10. Billed a customer for \$450 for photocopier work done.	12	40
11. Paid \$400 for wages for the month.	54	10

Exercise 2

Indicate whether you would use a debit or a credit to record the following changes:

Debit or Credit

1. An increase in Salary Expense.

2. A decrease in Accounts Payable.

- | | |
|---------------------------------------|-------|
| 3. An increase in Prepaid Insurance. | _____ |
| 4. An increase in Owner's Capital. | _____ |
| 5. A decrease in Office Supplies. | _____ |
| 6. An increase in Owner's Drawings. | _____ |
| 7. An increase in Service Revenue. | _____ |
| 8. A decrease in Accounts Receivable. | _____ |
| 9. An increase in Rent Expense. | _____ |
| 10. A decrease in Store Equipment. | _____ |

Solution Exercise 2 (5 min.)

- | | |
|---------------------------------------|---------------|
| 1. An increase in Salary Expense. | <u>Debit</u> |
| 2. A decrease in Accounts Payable. | <u>Debit</u> |
| 3. An increase in Prepaid Insurance. | <u>Debit</u> |
| 4. An increase in Owner's Capital. | <u>Credit</u> |
| 5. A decrease in Office Supplies. | <u>Credit</u> |
| 6. An increase in Owner's Drawings. | <u>Debit</u> |
| 7. An increase in Service Revenue. | <u>Credit</u> |
| 8. A decrease in Accounts Receivable. | <u>Credit</u> |
| 9. An increase in Rent Expense. | <u>Debit</u> |
| 10. A decrease in Store Equipment. | <u>Credit</u> |

Exercise 3

For the accounts listed below, indicate if the normal balance of the account is a debit or credit.

<u>Accounts</u>	<u>Normal Balance Debit or Credit</u>
1. Service Revenue	_____
2. Cash	_____
3. Accounts Receivable	_____
4. Accounts Payable	_____
5. Owner's Capital	_____

- | | |
|----------------------|-------|
| 6. Prepaid Insurance | _____ |
| 7. Insurance Expense | _____ |
| 8. Owner's Drawings | _____ |
| 9. Office Building | _____ |
| 10. Notes Receivable | _____ |

Solution Exercise 3 (5 min.)

<u>Accounts</u>	<u>Normal Balance Debit or Credit</u>
1. Service Revenue	Credit
2. Cash	Debit
3. Accounts Receivable	Debit
4. Accounts Payable	Credit
5. Owner's Capital	Credit
6. Prepaid Insurance	Debit
7. Insurance Expense	Debit
8. Owner's Drawings	Debit
9. Office Building	Debit
10. Notes Receivable	Debit

Exercise 4

Using the accounts listed below, state the account to be debited and the account to be credited for each of the following transactions:

1. Owner invested cash in the business.
2. Purchased equipment for cash.
3. Earned revenue on account.
4. Purchased supplies on account.
5. Paid for supplies purchased in 4.
6. Received payment from customer in 3.
7. Paid employee salaries.
8. Owner withdrew cash for personal use.
9. Purchased equipment on credit.
10. Owner used personal funds to purchase a new computer for use in the business.

<u>ACCOUNTS</u>	
Cash	Owner's Capital
Accounts Receivable	Owner's Drawings

Supplies
Equipment
Accounts Payable

Revenue
Salaries Payable
Salaries Expense

Solution Exercise 4 (10 min.)

	<u>Debit</u>	<u>Credit</u>
1.	Cash	Owner's Capital
2.	Equipment	Cash
3.	Accounts Receivable	Revenue
4.	Supplies	Accounts Payable
5.	Accounts Payable	Cash
6.	Cash	Accounts Receivable
7.	Salaries Expense	Cash
8.	Owner's Drawings	Cash
9.	Equipment	Accounts Payable
10.	Equipment	Owner's Capital

Exercise 5

Identify the account to be debited and the account to be credited for each of the following transactions:

1. Purchased equipment for cash and a note payable.
2. Accepted a cash deposit from a customer for a service to be provided next month.
3. Provided services on account.
4. Purchased supplies on account
5. Received payment from the client in 3.
6. Provided services to customer in 2 and collected cash for the remaining work done.
7. Owner paid himself.
8. Paid in full for equipment purchased in 1.

Solution Exercise 5 (10 min.)

	<u>Debit</u>	<u>Credit</u>
1.	Equipment	Cash, Note Payable
2.	Cash	Unearned Revenue
3.	Accounts Receivable	Revenue / Sales

- | | | |
|----|------------------------|---------------------|
| 4. | Supplies | Accounts Payable |
| 5. | Cash | Accounts Receivable |
| 6. | Unearned Revenue, Cash | Revenue / Sales |
| 7. | Owner's Drawings | Cash |
| 8. | Note Payable | Cash |

Exercise 6

Eight transactions are recorded in the following T accounts:

CASH		ACCOUNTS RECEIVABLE	
(1)	35,000	(2)	3,500
(7)	22,500	(3)	1,950
		(4)	2,225
		(6)	8,000
		(8)	4,500
SUPPLIES		EQUIPMENT	
(3)	1,950	(2)	13,500
T. SHAW, CAPITAL		SERVICE REVENUE	
		(1)	35,000
ACCOUNTS PAYABLE		T. SHAW, DRAWINGS	
(6)	8,000	(2)	10,000
SALARIES EXPENSE			
(4)	2,225		

Indicate for each debit and each credit:

- whether an asset, liability, capital, drawings, revenue, or expense account was affected and
- whether the account was increased (+) or decreased (-).

Answers should be presented in the following chart form:

Transaction No.	Account Debited		Account Credited	
	Type	Effect	Type	Effect
(1) (Example)	Asset	+	Capital	+
(2)				
(3)				
(4)				

(5)

(6)

(7)

(8)

Solution Exercise 6 (15 min.)

Transaction No.	<u>Account Debited</u>		<u>Account Credited</u>	
	Type	Effect	Type	Effect
(1) (Example)	Asset	+	Capital	+
(2)	Asset	+	Asset Liability	- +
(3)	Asset	+	Asset	-
(4)	Expense	+	Asset	-
(5)	Asset	+	Revenue	+
(6)	Liability	-	Asset	-
(7)	Asset	+	Asset	-
(8)	Drawings	+	Asset	-

Exercise 7

Matt Dudeck has operated a lawn care business for 3 months. The following transactions occurred in the fourth month:

1. Matt decides that the business needs a new vehicle. A truck is purchased for \$20,000 and financed by a note payable for the full amount.
2. Matt invested \$5,000 of his own funds in the business.
3. Invoices to customers were issued for services completed. The total invoices amount to \$4,500.
4. Paid \$350 on account for supplies purchased the prior month.
5. Collected \$3,750 from customers for work completed and invoiced the prior month.
6. Paid wages of \$250 to an assistant.
7. Received \$300 deposit from a new customer for whom work will not be performed until next month.

For each transaction, complete the information on the following table:

Transaction:	1	2	3	4	5	6	7
Account debited (name)							
Type of account (asset, liability, owner's equity)							
Normal balance of the account							
Is the account increased or decreased?							
Account credited (name)							
Type of account (asset, liability, owner's equity)							
Normal balance of the account							
Is the account increased or decreased?							

Solution Exercise 7 (15 min.)

Transaction:	1	2	3	4	5	6	7
Account debited (name)	Vehicle/equipment	Cash	Accounts Receivable	Accounts Payable	Cash	Wages Expense	Cash
Type of account (asset, liability, owner's equity)	Asset	Asset	Asset	Liability	Asset	Owner's equity/expense	Asset
Normal balance of the account	DR	DR	DR	CR	DR	DR	DR
Is the account increased or decreased?	Increase	Increase	Increase	Decrease	Increase	Increase	Increase
Account credited (name)	Note Payable	M. Dudeck, Capital	Service Revenue	Cash	Accounts Receivable	Cash	Unearned Revenue
Type of account (asset, liability, owner's equity)	Liability	Owner's equity	Owner's equity	Asset	Asset	Asset	Liability
Normal balance of the account	CR	CR	CR	DR	DR	DR	CR
Is the account increased or decreased?	Increase	Increase	Increase	Decrease	Decrease	Decrease	Increase

Exercise 8

For each of the following accounts indicate:

- the type of account (Asset, Liability, Owner's capital, Owner's drawings, Revenue, Expense),
- the debit and credit effects, and
- the normal account balance.

Example

0. Cash
- Asset account
 - Debit increases, credit decreases
 - Normal balance – debit

ACCOUNTS

- | | |
|------------------------|----------------------|
| 1. Accounts Payable | 5. Service Revenue |
| 2. Accounts Receivable | 6. Insurance Expense |
| 3. J. Brewer, Capital | 7. Notes Payable |
| 4. J. Brewer, Drawings | 8. Equipment |

Solution Exercise 8 (15 min.)

- a. Liability account.
- a. Revenue account.

- | | |
|--|--|
| <ul style="list-style-type: none"> b. Debit decreases, credit increases. c. Normal balance – credit. | <ul style="list-style-type: none"> b. Debit decreases, credit increases. c. Normal balance – credit. |
| <ul style="list-style-type: none"> 2. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. | <ul style="list-style-type: none"> 6. a. Expense account. b. Debit increases, credit decreases. c. Normal balance – debit. |
| <ul style="list-style-type: none"> 3. a. Owner's capital account. b. Debit decreases, credit increases. c. Normal balance – credit. | <ul style="list-style-type: none"> 7. a. Liability account. b. Debit decreases, credit increases. c. Normal balance – credit. |
| <ul style="list-style-type: none"> 4. a. Owner's drawings account. b. Debit increases, credit decreases. c. Normal balance – debit. | <ul style="list-style-type: none"> 8. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. |

Exercise 9

Melinda's Magic Store has balances in the following accounts at the end of May. For each of the accounts indicate:

- a. the type of account (Asset, Liability, Owner's capital, Owner's drawings, Revenue, Expense),
- b. the debit and credit effects, and
- c. the normal account balance.

ACCOUNTS

- | | |
|--|--|
| <ul style="list-style-type: none"> 1. Supplies 2. Accounts Receivable 3. Unearned Revenue 4. Salaries Payable 5. Commission Revenue | <ul style="list-style-type: none"> 6. Owner's Capital 7. Prepaid Insurance 8. Equipment 9. Accounts Payable 10. Notes Payable |
|--|--|

Solution Exercise 9 (15 min.)

- | | |
|--|--|
| <ul style="list-style-type: none"> 1. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. | <ul style="list-style-type: none"> 6. a. Owner's Capital account. b. Debit decreases, credit increases. c. Normal balance – credit. |
| <ul style="list-style-type: none"> 2. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. | <ul style="list-style-type: none"> 7. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. |
| <ul style="list-style-type: none"> 3. a. Liability account. b. Debit decreases, credit increases. c. Normal balance – credit. | <ul style="list-style-type: none"> 8. a. Asset account. b. Debit increases, credit decreases. c. Normal balance – debit. |
| <ul style="list-style-type: none"> 4. Liability account. b. Debit decreases, credit increases. c. Normal balance – credit. | <ul style="list-style-type: none"> 9. a. Liability account. b. Debit decreases, credit increases. c. Normal balance – credit. |
| <ul style="list-style-type: none"> 5. Revenue account. | <ul style="list-style-type: none"> 10. a. Liability account. |

Solution Exercise 10 (15 min.)

	Transaction #									
	1	2	3	4	5	6	7	8	9	10
Assets	D	D,C		D	C	D	C	D,C	D	C
Liabilities				C		C	D			
Owner's Capital	C									
Owner's Drawings										D
Revenues									C	
Expenses					D					

Exercise 11

The chart of accounts used by Presto Printing is listed below. You are to indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

CHART OF ACCOUNTS

- | | |
|-----------------------|------------------------|
| 1 Cash | 8 Interest Payable |
| 2 Accounts Receivable | 9 S. Presto, Capital |
| 3 Paper Supplies | 10 S. Presto, Drawings |
| 4 Copy Machines | 11 Service Revenue |
| 5 Accounts Payable | 12 Rent Expense |
| 6 Note Payable | 13 Utilities Expense |
| 7 Unearned Revenue | |

	Account number(s) debited	Account number(s) credited
1. Sophia Presto invests \$120,000 cash to start the business.		
2. Purchased three digital copy machines for \$400,000, paying \$100,000 cash and signing a 5-year, 6% note for the remainder.		
3. Purchased \$10,000 paper supplies on credit.		
4. Paid \$1,200 cash for rent for the current month.		

5. Paid \$400 cash for utilities for the current month.

6. Paid \$2,000 on account for paper supplies purchased in transaction 3.

7. Sophia Presto withdrew \$1,500 for personal expenses.

8. Received \$9,000 cash for printing services.

9. Received \$2,000 cash advance from a customer for future printing.

10. Billed a customer for \$450 for printing services completed.

Solution Exercise 11 (15 min.)

	Account number(s) debited	Account number(s) credited
1. Sophia Presto invests \$120,000 cash to start the business.	1	9
2. Purchased three digital copy machines for \$400,000, paying \$100,000 cash and signing a 5-year, 6% note for the remainder.	4	1, 6
3. Purchased \$10,000 paper supplies on credit.	3	5
4. Paid \$1,200 cash for rent for the current month.	12	1
5. Paid \$400 utilities cash for the current month.	13	1
6. Paid \$2,000 on account for paper supplies purchased in transaction 3.	5	1
7. Sophia Presto withdrew \$1,500 for personal expenses.	10	1
8. Received \$9,000 cash for printing services.	1	11
9. Received \$2,000 cash advance from a customer for future printing.	1	7
10. Billed a customer for \$450 for printing services completed.	2	11

Exercise 12

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

1. The owner, Rose Wier, invests \$35,000 in cash to start a real estate office operating as a sole proprietorship.
2. Purchased \$400 of office supplies on credit.
3. Purchased office equipment for \$6,000, paying \$2,500 in cash and signed a 30-day, \$3,500, note payable.
4. Real estate commissions billed to clients amounted to \$4,000.
5. Paid \$700 in cash for the current month's rent.
6. Paid \$200 cash on account for office supplies purchased in transaction 2.
7. Received a bill for \$500 for advertising for the current month.
8. Paid \$2,200 cash for office salaries.
9. Rose Wier withdrew \$1,200 from the business for living expenses.
10. Received a cheque for \$3,000 from a client in payment on account for commissions billed in transaction 4.

Solution Exercise 12 (15 min.)

1. Cash	35,000	
R. Wier, Capital.....		35,000
2. Office Supplies.....	400	
Accounts Payable		400
3. Office Equipment.....	6,000	
Cash		2,500
Notes Payable		3,500
4. Accounts Receivable.....	4,000	
Real Estate Commission Revenue.....		4,000
5. Rent Expense	700	
Cash.....		700
6. Accounts Payable	200	
Cash.....		200
7. Advertising Expense	500	
Accounts Payable		500
8. Office Salaries Expense	2,200	
Cash.....		2,200
9. R. Wier, Drawings	1,200	
Cash.....		1,200

10. Cash	3,000	
Accounts Receivable		3,000

Exercise 13

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

- Received \$35,000 cash as investment from Roche Stone, the company's owner.
- Purchased equipment for \$50,000, paying \$15,000 in cash and giving a note payable for the remainder.
- Paid \$3,000 for a one-year insurance policy.
- Billed customers for \$12,500 of services provided on account.
- Paid monthly rent of \$1,500.
- Performed \$7,000 of services and immediately received \$7,000 cash.
- Collected \$2,000 from customers on account.
- Hired a secretary.
- Paid the secretary his first week's salary of \$500.

Solution Exercise 13 (10 min.)

1.	Cash	35,000	
	R. Stone, Capital		35,000
2.	Equipment.....	50,000	
	Cash.....		15,000
	Note Payable.....		35,000
3.	Prepaid Insurance.....	3,000	
	Cash.....		3,000
4.	Accounts Receivable	12,500	
	Service Revenue		12,500
5.	Rent Expense	1,500	
	Cash.....		1,500
6.	Cash	7,000	
	Service Revenue		7,000
7.	Cash	2,000	
	Accounts Receivable		2,000
8.	No transaction		
9.	Wage Expense	500	
	Cash.....		500

Exercise 14

- a. Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.
1. The owner, Hank Williams, invested \$50,000 to start a record Company operating as a sole proprietorship.
 2. Received a \$10,000 deposit from a customer to produce a record.
 3. Purchased \$15,000 of sound equipment using cash and a \$10,000 loan.
 4. Paid 6 months rent in advance. Monthly rent is \$750.
 5. Provided services for \$12,500, half of which was collected in cash at the time of the sale.
 6. Paid staff salaries of \$3,000.
 7. Paid himself \$2,500.
 8. Collected the remaining outstanding balance on customer accounts.
 9. Paid the outstanding loan, in full, from the purchase of the sound equipment.
- b. What is the cash balance that would appear on the trial balance at the end of the period?

Solution Exercise 14 (10 min.)

a.			
1.	Cash	50,000	
	H. Williams, Capital		50,000
2.	Cash	10,000	
	Unearned Revenue		10,000
3.	Equipment.....	15,000	
	Cash.....		5,000
	Note Payable.....		10,000
4.	Prepaid Rent.....	4,500	
	Cash.....		4,500
	(\$750 * 6 mths)		
5.	Accounts Receivable	6,250	
	Cash	6,250	
	Service Revenue		12,500
6.	Salaries Expense	3,000	
	Cash.....		3,000
7.	H. Williams, Drawings	2,500	
	Cash.....		2,000
8.	Cash	6,250	
	Accounts Receivable.....		6,250
9.	Note Payable	10,000	

Cash 10,000

b. The balance in the cash account on the trial balance is \$47,500.

Cash	
(1) 50,000	5,000 (3)
(2) 10,000	4,500 (4)
(5) 6,250	3,000 (6)
	2,500 (7)
(8) 6,250	10,000 (10)
Balance 47,500	

Exercise 15

Transactions for the Triple H Services company for the month of November are presented below:

- Henry Highhat invested an additional \$36,000 cash in the business.
- Purchased land costing \$18,000 for cash.
- Purchased equipment costing \$15,000 for \$4,500 cash and the remainder on account.
- Purchased supplies on account for \$800.
- Paid \$3,000 for a one-year insurance policy.
- Received \$2,000 cash for services performed.
- Received \$4,000 for services previously performed on account.
- Paid wages to employees for \$2,500.
- Paid \$400 to Henry Highhat, the company's owner.

Instructions

Journalize each transaction and identify each transaction by number. You may omit journal explanations.

Solution Exercise 15 (10 min.)

1. Cash	36,000	
H. Highhat, Capital		36,000
2. Land	18,000	
Cash		18,000
3. Equipment	15,000	
Cash		4,500
Accounts Payable		10,500
4. Supplies	800	
Accounts Payable		800
5. Prepaid Insurance	3,000	
Cash		3,000
6. Cash	2,000	

	Service Revenue		2,000
7.	Cash	4,000	
	Accounts Receivable		4,000
8.	Wages Expense	2,500	
	Cash		2,500
9.	H. Highhat, Drawings	400	
	Cash		400

Exercise 16

Mike's Bike Repairs opened for business on November 1, 2014. The following transactions occurred in November:

- Nov. 1 Mike Smith invested \$5,000 cash in the business and contributed equipment valued at \$2,300.
- Nov. 3 Purchased supplies for cash \$560.
- Nov. 5 Completed services for customers who paid cash \$400.
- Nov. 6 Paid \$660 for a one-year insurance policy. The policy takes effect November 1 and will expire October 31, 2015.
- Nov. 8 Completed services for a major customer and invoiced the customer \$1,000.
- Nov. 15 Paid for printing advertising brochures \$125. The brochures were distributed the same day.
- Nov. 20 Received a bill from the utilities company for November utilities in the amount of \$70. The amount is due December 4.
- Nov. 25 Entered into a contract with a new customer who will use Mike's services for repairs on their entire fleet of rental bikes. The customer paid \$800 in advance for repairs to be completed in December.
- Nov. 30 Mike withdrew \$1,200 for personal use.
- Nov. 30 Received \$600 cash from the customer billed on November 8.

Instructions

Journalize the above transactions. Explanations are not required.

Solution Exercise 16 (10 min.)

November 1	Cash	5,000	
	Equipment	2,300	
	M. Smith, Capital		7,300
3	Supplies	560	
	Cash		560
5	Cash	400	
	Service Revenue		400

6	Prepaid Insurance	660	
	Cash		660
8	Accounts Receivable	1,000	
	Service Revenue		1,000
15	Advertising Expense	125	
	Cash		125
20	Utilities Expense	70	
	Accounts Payable		70
25	Cash	800	
	Unearned Revenue		800
30	M. Smith, Drawings	1,200	
	Cash		1,200
30	Cash	600	
	Accounts Receivable		600

Exercise 17

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

- Jennie Beagle invests \$25,000 cash to start a law firm, Legal Beagles, operating as a proprietorship.
- Paid \$2,100 cash for the first three month's rent.
- Purchased office equipment for \$10,000, paying \$3,500 in cash and signed a 30-day, 5% note payable for \$6,500.
- Paid \$600 cash for the purchase of office supplies.
- Received a bill for \$500 for advertising for the current month.
- Billed \$4,000 to clients for legal services.
- Paid \$200 cash on account for the advertising in transaction 5.
- Paid \$2,500 cash for office salaries.
- Jennie withdrew \$1,200 cash.
- Received a cheque for \$2,000 from a client in payment on account for services billed in transaction 6.

Solution Exercise 17 (15 min.)

1.	Cash	25,000	
	J. Beagle, Capital		25,000
2.	Prepaid Rent	2,100	
	Cash		2,100

3.	Office Equipment	10,000	
	Cash		3,500
	Notes Payable		6,500
4.	Office Supplies	600	
	Cash		600
5.	Advertising Expense	500	
	Accounts Payable		500
6.	Accounts Receivable	4,000	
	Service Revenue		4,000
7.	Accounts Payable	200	
	Cash		200
8.	Office Salaries Expense	2,500	
	Cash		2,500
9.	J. Beagle, Drawings	1,200	
	Cash		1,200
10.	Cash	2,000	
	Accounts Receivable		2,000

Exercise 18

The transactions of the Got It Now Store are recorded in the general journal below.

General Journal

Date	Account Titles and Explanation	Debit	Credit
2014			
Aug. 5	Accounts Receivable	2,800	
	Service Revenue		2,800
10	Cash	3,000	
	Service Revenue		3,000
19	Rent Expense	1,000	
	Cash		1,000
25	Cash	1,400	
	Accounts Receivable		1,400

Instructions

Post the journal entries to the following T accounts and calculate the August 31 balances.

General Ledger

Cash	Accounts Receivable
Bal fwd 1,250	Bal fwd 800
J. Jackson, Capital	
	Bal fwd 2,050
Service Revenue	Rent Expense

Solution Exercise 18 (5 min.)General Ledger

Cash	Accounts Receivable
Bal fwd 1,250	Bal fwd 800
8/10 3,000	8/5 2,800
8/25 1,400	8/25 1,400
8/31 Bal. 4,650	8/31 Bal. 2,200
J. Jackson, Capital	
	Bal fwd 2,050
	8/31 Bal. 2,050
Service Revenue	Rent Expense
	8/19 1,000
	8/5 2,800
	8/10 3,000
8/31 Bal. 5,800	8/31 Bal. 1,000

Exercise 19

Leaky Faucet plumbing services has the following account balances as of March 31:

Cash	\$1,500
Accounts Receivable	2,100
Accounts Payable	650
L. Faucet, Capital	2,950

The following transactions take place during April:

1. Services of \$3,100 were made on account.
2. Paid April rent of \$1,100.
3. Bought \$650 of supplies on account.
4. Collected \$4,000 cash on outstanding customer accounts.
5. Made payments on account \$500.

Journalize April's transactions. What are the April 30 account balances? Hint: You may wish to use T accounts.

Solution Exercise 19 (15 min.)

1. Accounts Receivable	3,100	
Service Revenue		3,100
2. Rent Expense.....	1,100	
Cash.....		1,100
3. Supplies	650	
Accounts Payable		650
4. Cash	4,000	
Accounts Receivable		4,000
5. Accounts Payable	500	
Cash		500

Cash	
Bal fwd	1,500
	4,000
	1,100
	500
Bal	3,900

Accounts Receivable	
Bal fwd	2,100
	4,000
	3,100
Bal	1,200

L. Faucet Capital	
	Bal fwd 2,950

Service Revenue	Rent Expense
Bal. 3,100	1,100
Accounts Payable	Supplies
Bal fwd 650	650
500	650
Bal. 800	Bal. 650

Exercise 20

Carlisle Company is a newly organized business. The list of accounts to be opened in the general ledger is as follows:

- | | |
|----------------------|-----------------------|
| Accounts Payable | M. Carlisle, Drawings |
| Accounts Receivable | Prepaid Insurance |
| Cash | Prepaid Rent |
| Equipment | Rent Expense |
| Fees Earned | Salary Expense |
| Insurance Expense | Salaries Payable |
| M. Carlisle, Capital | Supplies |
| | Supplies Expense |

Organize the accounts into the order in which they should appear in the ledger of Carlisle Company and assign account numbers. Use the following system to assign account numbers.

- | | | |
|---------|----------------|--|
| 100—199 | Assets | |
| 200—299 | Liabilities | |
| 300—399 | Owner's Equity | |
| 400—499 | Revenues | |
| 500—599 | Expenses | |

Solution Exercise 20 (5 min.)

There are several possible correct account number assignments. The following is one of the correct solutions.

- 101- Cash
- 112- Accounts Receivable
- 113- Supplies
- 114- Prepaid Insurance
- 115- Prepaid Rent
- 160- Equipment

- 210- Accounts Payable
- 220- Salaries Payable

- 310- M. Carlisle, Capital
- 320- M. Carlisle, Drawings

- 410- Fees Earned

- 510- Salary Expense
- 520- Supplies Expense
- 530- Rent Expense
- 540- Insurance Expense

Exercise 21

Jim's Mountain Tours opened for business December 1, 2014. The following T- accounts include eight transactions that occurred in December 2014:

Cash		Accounts Receivable	
(1)	35,000	(2)	3,500
(7)	22,500	(3)	1,950
		(4)	2,225
		(6)	8,000
		(8)	4,500

Supplies		Equipment	
(3)	1,950	(2)	13,500

J. Lee, Capital		Tour Revenue	
		(1)	35,000
		(5)	27,500

Accounts Payable		J. Lee, Drawings	
(6)	8,000	(2)	10,000
		(8)	4,500

Salaries Expense	
(4)	2,225

Instructions

- a. For each transaction, journalize the transaction, including an explanation for the entry.
- b. Determine the ending account balance for each account.
- c. Prepare a trial balance as at December 31, 2014.

Solution Exercise 21 (20 min.)

a.				
1.	Cash	35,000		
	J. Lee, Capital			35,000
	Jim Lee invested cash in the business.			
2.	Equipment	13,500		
	Cash			3,500
	Accounts payable			10,000
	Purchased equipment for cash and accounts payable.			
3.	Supplies	1,950		
	Cash			1,950
	Purchased supplies for cash			
4.	Salaries expense	2,225		
	Cash			2,225
	Paid salaries to employees.			
5.	Accounts receivable	27,500		
	Tour revenue			27,500
	Issued invoices for tours conducted in December.			
6.	Accounts payable	8,000		
	Cash			8,000
	Made partial payment on accounts payable.			
7.	Cash	22,500		
	Accounts receivable			22,500
	Collections from customers.			
8.	J. Lee, Drawings	4,500		
	Cash			4,500
	Cash withdrawn by Jim for personal use			

b.

<u>Cash</u>				<u>Accounts Receivable</u>		
(1)	35,000	(2)	3,500	(5)	27,500	
(7)	22,500	(3)	1,950		(7)	22,500
		(4)	2,225			5,000
		(6)	8,000			
		(8)	4,500			
	<u>37,325</u>					

<u>Supplies</u>		<u>Equipment</u>	
(3)	1,950	(2)	13,500

J. Lee, Capital	Tour Revenue
(1) 35,000	(5) 27,500
(6) 8,000	(8) 4,500
(2) 10,000	
2,000	
(4) 2,225	

c.

Jim's Mountain Tours Trial Balance December 31, 2014		
	<u>Debit</u>	<u>Credit</u>
Cash	\$37,325	
Accounts receivable	5,000	
Supplies	1,950	
Equipment	13,500	
Accounts payable		\$ 2,000
J. Lee, capital		35,000
J. Lee, drawings	4,500	
Tour revenue		27,500
Salaries expense	2,225	
	\$64,500	\$64,500

Exercise 22

The transactions of the Coronation Baked Goods Delivery are recorded in the general journal below.

<u>General Journal</u>					J1
Date	Account Titles and Explanation	Ref.	Debit	Credit	
2015					

Sept. 1	Cash	15,000	
	M. Cory, Capital		15,000
	Invested cash in business.		
4	Delivery Trucks	30,000	
	Cash		10,000
	Notes Payable.....		20,000
	Purchased truck, paid cash and issued a 2-year, 6%, note payable.		
8	Rent Expense	1,000	
	Cash		1,000
	Paid September rent.		
15	Prepaid Insurance.....	400	
	Cash		400
	Paid one-year liability insurance.		
18	Cash	2,500	
	Baked Goods Delivery Revenue.....		2,500
	Received cash for delivery services.		
20	Salaries Expense	500	
	Cash		500
	Paid salaries for current period.		
25	Utility Expense	100	
	Accounts Payable		100
	Received a bill for September utilities.		
30	M. Cory , Drawings	750	
	Cash		750
	Withdrew cash for personal use.		
30	Accounts Receivable	1,000	
	Baked Goods Delivery Revenue.....		1,000
	Billed customer for delivery service.		

Instructions

- Post the journal entries to the accounts using the following general ledger.
- Prepare a trial balance on the form provided.

General Ledger

Cash

Account No. 100

Date	Explanation	Ref.	Debit	Credit	Balance
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Accounts Receivable

Account No. 105

Date	Explanation	Ref.	Debit	Credit	Balance
------	-------------	------	-------	--------	---------

Prepaid Insurance

Account No. 110

Date	Explanation	Ref.	Debit	Credit	Balance
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Delivery Trucks

Account No. 150

Date	Explanation	Ref.	Debit	Credit	Balance
------	-------------	------	-------	--------	---------

Accounts Payable

Account No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
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Notes Payable

Account No. 250

Date	Explanation	Ref.	Debit	Credit	Balance
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M. Cory, Capital

Account No. 300

Date	Explanation	Ref.	Debit	Credit	Balance
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M. Cory, Drawings

Account No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
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Baked Goods Delivery Revenue				Account No. 400	
Date	Explanation	Ref.	Debit	Credit	Balance

Rent Expense				Account No. 520	
Date	Explanation	Ref.	Debit	Credit	Balance

Salaries Expense				Account No. 530	
Date	Explanation	Ref.	Debit	Credit	Balance

Utility Expense				Account No. 550	
Date	Explanation	Ref.	Debit	Credit	Balance

CORONATION BAKED GOODS DELIVERY
 Trial Balance
 September 30, 2015

Accounts	<u>Debit</u>	<u>Credit</u>
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Solution Exercise 22 (25 min.)

a.

<u>General Ledger</u>				Account No. 100	
Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 1		J1	15,000		15,000
4		J1		10,000	5,000
8		J1		1,000	4,000
15		J1		400	3,600
18		J1	2,500		6,100
20		J1		500	5,600

30 J1 750 4,850

Accounts Receivable

Account No. 105

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 30		J1	1,000		1,000

Prepaid Insurance

Account No. 110

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 15		J1	400		400

Delivery Trucks

Account No. 150

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 4		J1	30,000		30,000

Accounts Payable

Account No. 200

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 25		J1		100	100

Notes Payable

Account No. 250

Date	Explanation	Ref.	Debit	Credit	Balance
2015 Sept. 4		J1		20,000	20,000

M. Cory, Capital

Account No. 300

Date	Explanation	Ref.	Debit	Credit	Balance
------	-------------	------	-------	--------	---------

2015					
Sept. 1		J1		15,000	15,000

M. Cory, Drawings

Account No. 350

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 30		J1	750		750

Baked Goods Delivery Revenue

Account No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 18		J1		2,500	2,500
30		J1		1,000	3,500

Rent Expense

Account No. 520

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 8		J1	1,000		1,000

Salaries Expense

Account No. 530

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 20		J1	500		500

Utility Expense

Account No. 550

Date	Explanation	Ref.	Debit	Credit	Balance
2015					
Sept. 25		J1	100		100

b.

Coronation Baked Goods Delivery
Trial Balance
September 30, 2015

Accounts	<u>Debit</u>	<u>Credit</u>
Cash	\$ 4,850	
Accounts receivable	1,000	
Prepaid insurance	400	
Delivery trucks	30,000	
Accounts payable.....		\$ 100
Notes payable		20,000
S. Robinson, capital		15,000
S. Robinson, drawings	750	
Delivery revenue		3,500
Rent expense.....	1,000	
Salaries expense	500	
Utility expense.....	100	
Totals	<u>\$38,600</u>	<u>\$38,600</u>

Exercise 23

The transactions of the Make it Quick Delivery Service are recorded in the general journal below.

General Journal

Date	Account Titles and Explanation	<u>Debit</u>	<u>Credit</u>
2014			
Sept. 1	Cash	25,000	
	J. Lough, Capital		25,000
	Owner invested cash in business.		
4	Delivery Trucks	40,000	
	Cash		10,000
	Notes Payable.....		30,000
	Purchased truck, paid cash and issued 2-year, 6% note payable.		
8	Rent Expense	1,000	
	Cash		1,000
	Paid September rent.		
15	Prepaid Insurance.....	1,400	
	Cash		1,400
	Paid one-year liability insurance.		
18	Cash	2,500	

	Service Revenue		2,500
	Received cash for delivery services.		
20	Salaries Expense	500	
	Cash		500
	Paid salaries for current period.		
25	Utility Expense	100	
	Accounts Payable		100
	Received a bill for September utilities.		
30	J. Lough, Drawings	750	
	Cash		750
	Paid drawings to owner.		
30	Accounts Receivable	1,000	
	Service Revenue		1,000
	Billed customer for delivery service.		

Instructions

- a. Post the journal entries to the accounts in the general ledger below.
- b. Prepare a trial balance on the form provided.

a.

General Ledger

Cash	

Accounts Receivable	

Prepaid Insurance	

Delivery Trucks	

Accounts Payable	

Notes Payable	

J. Lough, Capital	

J. Lough, Drawings	

Service Revenue	

Rent Expense	

Salaries Expense	

Utility Expense	

b.

MAKE IT QUICK DELIVERY SERVICE
Trial Balance
September 30, 2014

Accounts	<u>Debit</u>	<u>Credit</u>

Solution Exercise 23 (25 min.)

a.

General Ledger

Cash			
9/1	25,000	9/4	10,000
9/18	2,500	9/8	1,000
		9/15	1,400
		9/20	500
		9/30	750
9/30 Bal.	13,850		

Accounts Receivable			
9/30	1,000		
9/30 Bal.	1,000		

Prepaid Insurance	
9/15	1,400
9/30 Bal.	1,400

Delivery Trucks	
9/4	40,000
9/30 Bal.	40,000

Accounts Payable	
	9/25 100
	9/30 Bal. 100

Notes Payable	
	9/4 30,000
	9/30 Bal. 30,000

J. Lough, Capital	
	9/1 25,000
	9/30 Bal. 25,000

J. Lough, Drawings	
9/30	750
9/30 Bal.	750

Service Revenue	
	9/18 2,500
	9/30 1,000
	9/30 Bal. 3,500

Rent Expense	
9/8	1,000
9/30 Bal.	1,000

Salaries Expense	
9/20	500
9/30 Bal.	500

Utility Expense	
9/25	100
9/30 Bal.	100

b.

MAKE IT QUICK DELIVERY SERVICE
Trial Balance
September 30, 2014

Accounts	Debit	Credit
Cash	\$ 13,850	
Accounts receivable	1,000	
Prepaid insurance	1,400	
Delivery trucks	40,000	
Accounts payable.....		\$ 100
Notes payable		30,000
J. Lough, capital		25,000
J. Lough, drawings.....	750	
Service revenue		3,500
Rent expense.....	1,000	
Salaries expense	500	
Utility expense.....	100	
Totals	<u>\$58,600</u>	<u>\$58,600</u>

Exercise 24

Pat's Party Planning provides food service and bartending for private and corporate parties. Pat's does not prepare the food, but does provide supplies such as dishes, linens and ice for the event. The following transactions occurred in December 2014, the first month of the business operations:

Date	Transaction
Dec 1	Patty Peppermint invested \$18,000 in the business.
Dec 3	Business purchased a used delivery van for \$6,500 on account.
Dec 5	Purchased supplies for cash \$1,300.
Dec 7	Signed contract to provide services at a party to be held in January. Received a deposit of \$750 from the customer.
Dec 8	Provide services for a corporate party. Received full payment in the amount of \$2,100.
Dec 10	Paid the staff who worked at the December 8 party \$900 in wages.
Dec 14	Provides services for a private party. Issued an invoice for \$1,500 to the customer who will pay in January.
Dec 18	Paid \$325 for an advertisement in the local newspaper. The ad began running every day for a week starting December 10.
Dec 23	Patty Peppermint withdrew \$600 for personal use.
Dec 31	Paid for a one-year insurance policy on the delivery van for \$1,800, effective Jan 1 to Dec 31, 2015.

Instructions

- a. Prepare the journal entries for the above transactions. Explanations are not necessary.
- b. Prepare a trial balance at December 31, 2014 based on the above accounts.

Solution Exercise 24 (25 min.)

a.

Dec.	1	Cash	18,000	
		P. Peppermint, Capital		18,000
	3	Van	6,500	
		Accounts Payable		6,500
	5	Supplies	1,300	
		Cash		1300
	7	Cash	750	
		Unearned Revenue		750
	8	Cash	2,100	
		Service Revenue		2,100
	10	Wages Expense	900	
		Cash		900
	14	Accounts Receivable	1,500	

	Service Revenues		1,500
18	Advertising Expense	325	
	Cash		325
23	P. Peppermint, Drawings	600	
	Cash		600
31	Prepaid insurance	1,800	
	Cash		1,800

Cash Acct type: Asset			
(1)	18,000	(3)	1,300
(4)	750	6)	900
5)	2,100	(8)	325
		(9)	600
		(10)	1,800
15,925			

Accounts Receivable Acct type: Asset			
(7)	1,500		

Van Acct type: Asset			
(2)	6,500		

Supplies Acct type: Asset			
(3)	1,300		

Prepaid Insurance Acct type: Asset			
(10)	1,800		

Unearned Revenue Acct type: Liabilities			
		(4)	750

Accounts Payable Acct type: Liabilities			
		(2)	6,500

P. Peppermint , Capital Acct type: Owner's Equity			
		(1)	18,000

P. Peppermint, Drawings

Service Revenue

Acct type: Owner's equity	
(9)	600

Acct type: Owner's Equity	
(5)	2,100
(7)	1,500
	3,600

Wages Expense Acct type: Owner's equity	
(6)	900

Advertising Expense Acct type: Owner's Equity	
(8)	325

b.

Patty's Party Planning
Trial balance
December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$15,925	
Accounts receivable	1,500	
Supplies	1,300	
Prepaid insurance	1,800	
Van	6,500	
Accounts payable		\$6,500
Unearned revenue		750
P. Peppermint, capital		18,000
P. Peppermint, drawings	600	
Service revenue		3,600
Wages expense	900	
Advertising expense	325	
	<u>\$28,850</u>	<u>\$28,850</u>

Exercise 25

The trial balance of P. Heavy Record Company shown below does not balance.

P. HEAVY RECORD COMPANY
Trial Balance
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 2,600	
Accounts receivable	7,600	
Supplies	600	
Equipment.....	8,300	
Accounts payable.....		\$ 9,766
P. Heavy, capital.....		1,941
P. Heavy, drawings.....	1,500	
Service revenue		15,200
Wages expense	3,800	
Repair expense.....	<u>1,600</u>	
Totals	<u>\$26,000</u>	<u>\$26,907</u>

An examination of the ledger and journal reveals the following errors:

1. Each of the above listed accounts has a normal balance per the general ledger.
2. Cash of \$350 received from a customer on account was debited to Cash \$530 and credited to Accounts Receivable \$530.
3. A withdrawal of \$300 by the owner was posted as a credit to P. Heavy, Drawings, \$300 and credit to Cash \$300.
4. A debit of \$300 was not posted to Wages Expense.
5. The purchase of equipment on account for \$700 was recorded as a debit to Repair Expense and a credit to Accounts Payable for \$700.
6. Services were performed on account for a customer, \$510, for which Accounts Receivable was debited \$510 and Service Revenue was credited \$51.
7. A payment on account for \$215 was credited to Cash for \$215 and credited to Accounts Payable for \$251.

Instructions

Prepare a correct trial balance.

Solution Exercise 25 (25 min.)

P. HEAVY RECORD COMPANY
Trial Balance
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash [\$2,600 – \$180 (2)]	\$ 2,420	
Accounts receivable [\$7,600 + \$180 (2)].....	7,780	
Supplies	600	
Equipment [\$8,300 + \$700 (5)].....	9,000	

Accounts payable [\$9,766 – \$251 - \$215(7)]		\$ 9,300
P. Heavy , capital		1,941
P. Heavy , drawings [\$1,500 + \$300 + \$300 (3)]	2,100	
Service revenue [\$15,200 + \$459 (6)]		15,659
Wages expense [\$3,800 + \$300 (4)]	4,100	
Repair expense [\$1,600 – \$700 (5)]	900	
Totals.....	<u>\$26,900</u>	<u>\$26,900</u>

Exercise 26

Listed below are the transactions for August 2014, the first month of operations of Peggy's' Pet Grooming, owned and operated by Peggy Markham.

- August 1 Peggy invested \$5,000 in the business, which was comprised of \$3,500 in cash plus equipment valued at \$1,500.
- August 3 Paid rent of \$400 for one month's rent.
- August 3 Hired a salesperson who will be paid on commission.
- August 4 Purchases supplies on account for \$125.
- August 12 Purchased a used van for \$6,000, paying cash of \$1,000 and signing an 1 year, 6% note payable for the balance.
- August 15 Completed services for clients. Of the services completed, \$350 was paid in cash, and the remainder, \$500 was on account.
- August 18 Paid telephone expense of \$60.
- August 26 Received a utility bill for August of \$110.
- August 27 Collected \$250 of the accounts receivable balance.
- August 29 Billed clients for \$400 in services.
- August 30 Paid an assistant \$225 in wages.
- August 30 Peggy Markham withdrew \$500 for personal use.

Instructions

- a. Journalize the transactions.
- b. Prepare a trial balance at August 31, 2014. Hint: You may want to use T accounts.

Solution Exercise26 (30 min.)

a.

Aug 1	Cash	3,500	
	Equipment	1,500	
	P. Markham, Capital		5,000
Aug 3	Rent Expense	400	
	Cash		400
Aug 3	No transaction		
Aug 4	Supplies	125	
	Accounts Payable		125

Aug 12	Automobile	6,000	
	Cash		1,000
	Note Payable		5,000
Aug 15	Cash	350	
	Accounts Receivable	500	
	Service Revenue		850
Aug 18	Telephone Expense	60	
	Cash		60
Aug 26	Utilities Expense	110	
	Accounts Payable		110
Aug 27	Cash	250	
	Accounts Receivable		250
Aug 29	Accounts Receivable	400	
	Service Revenue		400
Aug 30	Wages Expense	225	
	Cash		225
Aug 30	P. Markham, Drawings	500	
	Cash		500

Cash			
3/1	3,500	3/3	400
3/15	350	3/12	1,000
3/27	250	3/18	60
		3/30	225
		3/31	500
3/31	bal 1,915		

Accounts Receivable			
3/15	500	3/27	250
3/29	400		
3/31	bal 650		

Supplies			
3/4	125		
3/31	bal 125		

Equipment			
3/1	1,500		
3/31	bal 1,500		

Automobile			
3/12	6,000		
3/31	bal 6,000		

Accounts Payable			
		3/4	125
		3/26	110
		3/31	bal 235

Note Payable		
	3/12	5,000
	3/31	bal 5,000

Capital		
	3/1	5,000
	3/31	bal 5,000

Drawings		
3/31		500
3/31	bal	500

Service Revenue		
	3/15	850
	3/29	400
	3/31	bal 1,250

Rent Expense		
3/3		400
3/31	bal	400

Telephone Expense		
3/18		60
3/31	bal	60

Utilities Expense		
3/26		110
3/31	bal	110

Wages Expense		
3/30		225
3/31	bal	225

b.

Peggy's Pet Grooming
Trial Balance
At August 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 1,915	
Accounts receivable	650	
Supplies	125	
Equipment	1,500	
Automobile	6,000	
Accounts payable		\$ 235
Note payable		5,000
P. Markham, capital		5,000
P. Markham, drawings	500	
Service revenue		1,250
Rent expense	400	
Telephone expense	60	
Utilities expense	110	
Wages expense	225	
Total	\$ 11,485	\$ 11,485

Exercise 27

The ledger accounts of Victoria’s Gym at June 30, 2014 are shown below:

Accounts Payable.....	\$ 6,100
Accounts Receivable	1,050
Building	51,400
V. Reese, Capital	63,100
Cash.....	12,000
Exercise Equipment.....	18,900
Weight Equipment	22,000
Notes Payable	49,000
Office Supplies	350
Office Equipment.....	2,000
V. Reese, Drawings.....	10,500

Instructions

Prepare a trial balance with the ledger accounts arranged in the proper financial statement order. Include the appropriate heading. All accounts have normal balances.

Solution Exercise 27 (10 min.)

VICTORIA’S GYM
Trial Balance
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 12,000	
Accounts Receivable.....	1,050	
Office Supplies.....	350	
Office Equipment	2,000	
Exercise Equipment	18,900	
Weight Equipment.....	22,000	
Building	51,400	
Accounts Payable		\$ 6,100
Notes Payable.....		49,000
V. Reese, Capital		63,100
V. Reese, Drawings	10,500	
Totals	<u>\$118,200</u>	<u>\$118,200</u>

Exercise 28

Archie and Associates is a financial planning service. The account balances at July 31, 2014 are shown by the following alphabetical list:

Accounts Payable	\$ 7,000
Accounts Receivable.....	21,000
Automobiles	27,500
Building	120,000
Cash	18,500

Computer Hardware	30,000
Computer Software	4,200
Land.....	42,000
M. Archie , Capital.....	179,700
Notes Payable.....	95,000
Notes Receivable	8,100
Office Furniture	15,400
Office Supplies.....	800
Technical Library.....	2,200
Service Revenue.....	10,000
Wage Expense.....	2,000

Instructions

Prepare a trial balance with the accounts arranged in financial statement order. All accounts have normal balances.

Solution Exercise 28 (15 min.)

ARCHIE AND ASSOCIATES
Trial Balance
July 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 18,500	
Accounts receivable	21,000	
Office supplies	800	
Notes receivable	8,100	
Computer software.....	4,200	
Computer hardware	30,000	
Technical library.....	2,200	
Office furniture	15,400	
Automobiles	27,500	
Building	120,000	
Land	42,000	
Accounts payable.....		\$ 7,000
Notes payable		95,000
M. Archie, capital		179,700
Service revenue		10,000
Wage expense.....	<u>2,000</u>	
Totals	<u>\$291,700</u>	<u>\$291,700</u>

Exercise 29

Delaurier and Associates is an accounting practice. The account balances at December 31, 2014, are shown by the following alphabetical list:

A. Delaurier , Capital.....	\$64,700
A. Delaurier , Drawings	40,000
Accounts Payable	13,800

Accounts Receivable	26,000
Automobiles	29,500
Cash	18,500
Computer Hardware.....	29,000
Fees Earned	105,000
Notes Payable	55,000
Notes Receivable.....	19,100
Office Furniture	35,400
Office Supplies.....	800
Rent Expense	12,000
Salaries Expense	25,000
Technical Library.....	3,200

Instructions

Prepare a trial balance with the accounts arranged in financial statement order.

Solution Exercise 29 (15 min.)

DELAURIER AND ASSOCIATES
Trial Balance
December 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 18,500	
Accounts receivable	26,000	
Notes receivable	19,100	
Office supplies	800	
Computer hardware	29,000	
Office furniture	35,400	
Technical library	3,200	
Automobiles	29,500	
Accounts payable		\$ 13,800
Notes payable		55,000
A. Delaurier, capital		64,700
A. Delaurier, drawings.....	40,000	
Fees earned.....		105,000
Rent expense.....	12,000	
Salaries Expense	25,000	
Totals	<u>\$238,500</u>	<u>\$238,500</u>

Exercise 30

Kali's Courier Service has the following account balances at the July 31, 2014 year end. The accounts all have normal balances and are shown in the following alphabetical list:

Accounts Payable	\$10,800
Accounts Receivable	21,500
Cash.....	10,200
Courier Vehicles	60,000

Delivery Revenue.....	85,000
Insurance expense.....	2,400
R. Kali, Capital Account	39,800
R. Kali, Drawings	25,000
Notes Payable	42,500
Notes Receivable.....	1,800
Office Furniture	5,500
Prepaid Insurance.....	1,200
Rent Expense	12,500
Salaries Expense	30,500
Supplies.....	1,000
Supplies Expense	10,000
Unearned Revenue.....	3,500

Instructions

Prepare a trial balance with the accounts arranged in financial statement order.

Solution Exercise 30 (15 min.)

Kali's Courier Service
Trial Balance
July 31, 2014

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 10,200	
Accounts receivable	21,500	
Notes receivable	1,800	
Supplies	1,000	
Prepaid insurance	1,200	
Office furniture	5,500	
Courier vehicles	60,000	
Accounts payable		\$ 10,800
Unearned revenues.....		3,500
Notes payable		42,500
R. Kali, capital		39,800
R. Kali, drawings.....	25,000	
Delivery revenue		85,000
Rent expense.....	12,500	
Supplies expense.....	10,000	
Insurance expense.....	2,400	
Salaries expense	30,500	
Totals	<u>\$180,600</u>	<u>\$180,600</u>

Exercise 31

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals. For each of the six cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be

considered independently of the others.

1. A payment of \$600 to a creditor was recorded by a debit to Accounts Payable of \$60 and a credit to Cash of \$600.
2. A \$480 payment for a printer was recorded by a debit to Computer Equipment of \$48 and a credit to Cash for \$48.
3. An account receivable in the amount of \$2,000 was collected in full. The collection was recorded by a credit to Cash for \$2,000 and a credit to Accounts Receivable for \$2,000.
4. An owner's drawing was paid by issuing a cheque for \$1,000. The payment was recorded by debiting Salaries Expense \$1,000 and crediting Cash \$1,000.
5. A payment of \$600 from a customer on account was received and was credited to cash and debited to accounts receivable.
6. A payment of \$450 to a creditor was recorded as a debit to cash and a credit to Accounts Payable.

Solution Exercise 31 (5 min.)

1. The trial balance totals will be unequal. The credit column will be \$540 larger than the debit column.
2. The trial balance totals will be incorrect but equal.
3. The trial balance totals will be unequal. The credit column will be \$4,000 larger than the debit column.
4. The trial balance totals will be incorrect but equal.
5. The trial balance totals will be incorrect but equal.
6. The trial balance totals will be incorrect but equal.

Exercise 32

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals.

1. A payment of \$700 to a creditor was recorded by a debit to Accounts Payable of \$70 and a credit to Cash of \$700.
2. A \$340 payment for a printer was recorded by a debit to Computer Equipment of \$34 and a credit to Cash for \$34.
3. An account receivable in the amount of \$2,000 was collected in full. The collection was recorded by a debit to Cash for \$2,000 and a debit to Accounts Payable for \$2,000.
4. An account payable was paid by issuing a cheque for \$800. The payment was recorded by a debit to Accounts Payable \$800 and a credit to Accounts Receivable \$800.

Instructions

For each of the four cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be considered

independently of the others.

Solution Exercise 32 (5 min.)

1. The trial balance totals will be unequal. The credit column will be \$630 larger than the debit column.
2. The trial balance totals will be misstated but equal.
3. The trial balance totals will be unequal. The debit column will be \$4,000 larger than the credit column.
4. The trial balance totals will be misstated but equal.

Exercise 33

The bookkeeper for Green Lawn Mowing Service made a number of errors in journalizing and posting as described below:

1. A debit posting to accounts receivable for \$500 was omitted.
2. A payment of accounts payable for \$600 was credited to cash and debited to accounts receivable.
3. A credit to accounts receivable for \$750 was posted as \$75.
4. A cash purchase of equipment for \$673 was journalized as a debit to equipment and a credit to notes payable. The credit posting was made for \$637.
5. A debit posting of \$300 for purchase of supplies was credited to supplies.
6. A debit to repairs expense for \$482 was posted as \$428.
7. A debit posting for wages expense for \$800 was made twice.
8. A cash purchase of supplies for \$700 was journalized and posted as a debit to supplies for \$70 and a credit to cash for \$70.

Instructions

For each error, indicate (A) whether the trial balance will balance; if the trial balance will not balance, indicate (B) the amount of the difference, and (C) the trial balance column that will have the larger total. Consider each error separately. Use the following form, in which error 1. is given as an example.

<u>Error</u>	(A) <u>In Balance</u>	(B) <u>Difference</u>	(C) <u>Larger Column</u>
1.	No	\$500	Credit

Solution Exercise 33 (15 min.)

<u>Error</u>	(A) <u>In Balance</u>	(B) <u>Difference</u>	(C) <u>Larger Column</u>
1.	No	\$500	Credit
2.	Yes	—	—
3.	No	675	Debit

4.	No	36	Debit
5.	No	600	Credit
6.	No	54	Credit
7.	No	800	Debit
8.	Yes	—	—

EXERCISE 34

The trial balance of the Karl's Concrete Services shown below does not balance.

Karl's Concrete Services
Trial Balance
June 30, 2014

	Debit	Credit
Cash	\$ 5,200	
Accounts receivable	15,200	
Supplies	1,200	
Equipment	16,600	
Accounts payable		\$ 19,610
K. Bruce, Capital		3,882
K. Bruce, drawings	3,000	
Service revenue		30,400
Wages expense	7,600	
Repair expense	3,200	
Totals	\$52,000	\$53,892

An examination of the ledger and journal reveals the following errors:

1. Each of the above listed accounts has a normal balance per the general ledger.
2. Cash of \$260 received from a customer on account was debited to Cash \$620 and credited to Accounts Receivable \$620.
3. Drawings of \$850 paid to the owner were posted as a credit to Drawings, \$850 and a credit to Cash \$850.
4. Wages Expense of \$600 was omitted from the trial balance.
5. The purchase of equipment on account for \$800 was recorded as a debit to Repair Expense and a credit to Accounts Payable for \$800.
6. Services were performed on account for a customer, \$1,020, for which Accounts Receivable was debited \$1,020 and Service Revenue was credited \$102.
7. A payment on account for \$219 was credited to Cash for \$219 and credited to Accounts Payable for \$291.

Instructions

Prepare a correct trial balance.

Solution Exercise 34 (25 min.)

Karl's Concrete Services
Trial Balance
June 30, 2014

	<u>Debit</u>	<u>Credit</u>
Cash [\$5,200 – \$360 (2)]	\$ 4,840	
Accounts receivable [\$15,200 + \$360 (2)]	15,560	
Supplies	1,200	
Equipment [\$16,600 + \$800 (5)].....	17,400	
Accounts payable [\$19,610 – \$291 – \$219 (7)]		\$19,100
K. Bruce, capital		3,882
K. Bruce, drawings [\$3,000 + \$850 + \$850 (3)]	4,700	
Service revenue [\$30,400 + \$918 (6)]		31,318
Wages expense [\$7,600 + \$600 (4)]	8,200	
Repair expense [\$3,200 – \$800 (5)].....	2,400	
Totals.....	<u>\$54,300</u>	<u>\$54,300</u>

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