

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

**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 form 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



(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:

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

- 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.)**

- Liability account.
  - Revenue account.

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

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

**Solution Exercise 9 (15 min.)**

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

- b. Debit decreases, credit increases.
- c. Normal balance – credit.

- b. Debit decreases, credit increases.
- c. Normal balance – credit.

**Exercise 10**

For each transaction given, enter in the tabulation given below a "D" for debit and a "C" for credit to reflect the increases and decreases of the assets, liabilities, and owner's equity accounts. In some cases there may be a "D" and a "C" in the same column. If there is not a transaction which needs to be recorded, leave the column blank.

Transactions:

1. Owner invests cash in the business.
2. Pays insurance in advance for six months.
3. Hires new administrative assistant.
4. Purchases office supplies on account.
5. Pays electricity bill.
6. Borrows money from local bank.
7. Makes payment on account.
8. Receives cash from customers on account.
9. Provides services to customers on account.
10. Owner withdraws assets from the business.

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

**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.

1. Received \$35,000 cash as investment from Roche Stone, the company's owner.
2. Purchased equipment for \$50,000, paying \$15,000 in cash and giving a note payable for the remainder.
3. Paid \$3,000 for a one-year insurance policy.
4. Billed customers for \$12,500 of services provided on account.
5. Paid monthly rent of \$1,500.
6. Performed \$7,000 of services and immediately received \$7,000 cash.
7. Collected \$2,000 from customers on account.
8. Hired a secretary.
9. 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.

1. Jennie Beagle invests \$25,000 cash to start a law firm, Legal Beagles, operating as a proprietorship.
2. Paid \$2,100 cash for the first three month's rent.
3. Purchased office equipment for \$10,000, paying \$3,500 in cash and signed a 30-day, 5% note payable for \$6,500.
4. Paid \$600 cash for the purchase of office supplies.
5. Received a bill for \$500 for advertising for the current month.
6. Billed \$4,000 to clients for legal services.
7. Paid \$200 cash on account for the advertising in transaction 5.
8. Paid \$2,500 cash for office salaries.
9. Jennie withdrew \$1,200 cash.
10. 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	8/19 1,000	Bal fwd 800	8/25 1,400
8/10 3,000		8/5 2,800	
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	
	8/5 2,800	8/19 1,000	
	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	1,100
4,000	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	(5)	27,500
		(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
(7)	22,500	(5)	27,500
		(7)	22,500
			5,000
		(3)	1,950
		(4)	2,225
		(6)	8,000
		(8)	4,500
	37,325		

<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**

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

General Ledger

Cash				Account No. 100	
Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Receivable				Account No. 105	
Date	Explanation	Ref.	Debit	Credit	Balance

Prepaid Insurance				Account No. 110	
Date	Explanation	Ref.	Debit	Credit	Balance

Delivery Trucks				Account No. 150	
Date	Explanation	Ref.	Debit	Credit	Balance

Accounts Payable				Account No. 200	
Date	Explanation	Ref.	Debit	Credit	Balance

Notes Payable				Account No. 250	
Date	Explanation	Ref.	Debit	Credit	Balance

M. Cory, Capital				Account No. 300	
Date	Explanation	Ref.	Debit	Credit	Balance

M. Cory, Drawings				Account No. 350	
Date	Explanation	Ref.	Debit	Credit	Balance



Baked Goods Delivery Revenue Account No. 400

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

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

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

Date	Explanation	Ref.	Debit	Credit	Balance
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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.

General Ledger  
Cash

Account No. 100

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
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2015 Sept. 1		J1		15,000	15,000
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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

<p>Cash</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>			<p>Accounts Receivable</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>		
<p>Prepaid Insurance</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>			<p>Delivery Trucks</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>		
<p>Accounts Payable</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>			<p>Notes Payable</p> <hr/> <table border="0" style="width: 100%; height: 150px;"> <tr> <td style="width: 50%; border-right: 1px solid black;"></td> <td style="width: 50%;"></td> </tr> </table>		

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

- Prepare the journal entries for the above transactions. Explanations are not necessary.
- 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	Acct type: Owner's Equity
(9)            600	(5)            2,100
	(7)            1,500
	3,600
Wages Expense Acct type: Owner's equity	Advertising Expense Acct type: Owner's Equity
(6)            900	(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	
	\$28,850	\$28,850
	\$28,850	\$28,850

**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	<u>\$ 11,485</u>	<u>\$ 11,485</u>

**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

	<u>Debit</u>	<u>Credit</u>
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 .....	<u>3,200</u>	
Totals .....	<u>\$52,000</u>	<u>\$53,892</u>

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

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

	Debit	Credit
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 .....	\$54,300	\$54,300

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