

Solutions Manual for College Accounting A Practical Approach 15th Slater

Chapter 2

Debits and Credits: Analyzing and Recording Business Transactions

Chapter Overview

This chapter transitions from analyzing transactions and listing each account in a potentially long accounting equation to double entry accounting. There are five steps used to analyze a transaction: 1) determining which accounts are affected; 2) determining which categories the accounts belong to (assets, liabilities, capital, withdrawals, revenue, or expenses); 3) determining whether the accounts increase or decrease; 4) using the debit and credit rules to determine if the result of steps 2 and 3 results in a journal entry debit or credit; and 5) computing the balance in the T account. T accounts are used to illustrate debits and credits and how to evaluate each account's balance. A T account is a simpler way to illustrate an account. It has a debit and credit side and can be used to compute the balance in that account. Several examples are used to illustrate transaction analysis and the resulting journal entry and T account balance. Next, how to use the balances in the T accounts to prepare a trial balance is illustrated. A trial balance is a listing of a company's accounts and its resulting debit or credit balance in the proper debit or credit column. The information from the trial balance is used to prepare financial statements. Finally, the interrelationship between the financial statements is emphasized. The income or loss from the income statement is carried to the statement of owner's equity. The ending balance in the statement of owner's equity is carried to the balance sheet.

Learning Objectives

TBEXAM.COM

After studying Chapter 2, your students should gain proficiency in the following:

1. Explain T Accounts and How to Foot and Balance.
2. Use a Chart of Accounts to Record Transactions in T Accounts According to the Rules of Debits and Credits.
3. Prepare a Trial Balance and the Financial Statements.

Chapter 2 Assignment Grid

Assignment	Topic(s)	Learning Objective(s)	Estimated Time in Minutes	Level of Difficulty
Discussion Questions and Critical Thinking/Ethical Case				
1	Define ledger	1	5	Easy
2	Debit side of the account	1	5	Easy
3	Footings and balancing	1	5	Easy
4	Accounting cycle and end product	2	5	Easy
5	Transaction Analysis Chart	2	5	Easy
6	Transaction Analysis Chart	2	5	Easy
7	Computers and double entry bookkeeping	2	5	Easy
8	Trial Balance	3	5	Easy
9	Financial Statements	3	5	Easy
10	Financial Statements	3	5	Easy
11	Trial Balance	3	5	Medium
12	Ethics, Pandemic, and remote work	2,3,4	10	Medium
Concept Checks				
1	The T account	1	5	Easy
2	Transaction Analysis	2	5	Easy
3	Transaction Analysis	2	5	Easy
4	Trial Balance	3	5	Easy
5	Trial Balance/ Financial Statements	3	10	Easy
Exercises (Set A)				
2A-1	Chart of accounts	2	10	Easy
2A-2	Transaction analysis	2	5	Easy
2A-3	Transaction analysis	2	5	Easy
2A-4	Account analysis	2	20	Medium
2A-5	Financial Statements	3	20	Medium
Exercises (Set B)				
2B-1	Chart of accounts	2	10	Easy
2B-2	Transaction analysis	2	5	Easy
2B-3	Transaction analysis	2	5	Easy
2B-4	Account analysis	2	20	Medium
2B-5	Financial Statements	3	20	Medium
Problems (Set A)				
2A-1	Transaction Analysis	2	20	Medium
2A-2	Transaction Analysis	2	20	Medium
2A-3	Trial Balance	1, 3	20	Medium
2A-4	Financial Statements	3	40	Hard
2A-5	Transactions, Trial Balance, & Financial Prep	1,2, 3	60	Hard
Problems (Set B)				
2B-1	Transaction Analysis	2	20	Medium
2B-2	Transaction Analysis	2	20	Medium
2B-3	Trial Balance	1, 3	20	Medium
2B-4	Financial Statements	3	40	Hard
2B-5	Transactions, Trial Balance, & Financial Prep	1,2, 3	60	Hard

Assignment	Topic(s)	Learning Objective(s)	Estimated Time in Minutes	Level of Difficulty
Financial Report Problem				
Reading Amazon's Annual Reports/Internet Project		2	5	Easy
Keeping It Real				
Suarez Digital Services		1, 2, 3	60	Medium

Learning Unit 2-1: The T Account and How to Foot and Balance

Summary: The **T account** is a tool to demonstrate the increases and decreases in each account. The T account is a skeleton version of a standard account. A **standard account** form is the formal structure required for each account. All T accounts have three parts: account title, **debit** (left) and **credit** (right). The T accounts are footed to determine the balance or ending balance for the specific account. Foot is to (sum) add all debits and add (sum) all credits, and **footing** is totaling each individual column. The column balances are subtracted to compute the final total or ending balance for each account. The ending balance is always presented on the bigger or **normal side**. To record transactions, the accountant determines which accounts are credited or debited utilizing the debit and credit rules. The double-entry bookkeeping is an accounting system in which the recording of each transaction affects two or more accounts. You must include at least one debit and one credit per transaction, and the total amount of debits is equal to the total amount of credits.

TBEXAM.COM

Key Concepts: account, standard account, ledger, T account, debit, credit, footings, ending balance

Lecture Outline:

- Each transaction is recorded in the accounting equation under specific accounts: assets, liabilities, capital, withdrawals, revenue, expenses, and so on.
 - Accounts are also called "ledger accounts", from the days when each account was a type of paper business form, placed in a book called the ledger.
- Accounts are used to record increases and decreases of business transactions relating to individual elements of the accounting equation:
 - assets,
 - liabilities,
 - capital,
 - withdrawals,
 - revenue,
 - and expenses.
- The subdivisions or account categories (account classification) are:
 - asset accounts,
 - liability accounts,
 - owner's equity accounts,
 - revenue accounts,
 - and expense accounts.
- The standard account form includes:
 - columns for date,
 - explanation,

- c) posting reference,
 - d) debit,
 - e) credit,
 - f) and total columns.
- 5) The ledger has all the individual accounts, and all transactions affecting an account are recorded on the form.
- a) A ledger is a book of accounts that records data from business transactions.
 - b) Prepared manually in a traditional accounting format.
 - c) Ledger accounts in a computerized system are updated automatically by software.
- 6) For simplicity's sake, use the T account form for demonstration purposes. T account simple form includes:
- a) the title, which expresses the name of the account
 - b) debit (left) side or Dr.
 - c) credit (right) side or Cr.
- 7) Footing: (the totals for each column)
- a) process of adding all items on the debit side,
 - b) adding all items on the credit side
 - c) calculate the T account ending balance.
 - d) Balance the difference between the amounts on each side of the T account.
 - i) Total the debits (Dr.)
 - ii) Total the credits (Cr.)
 - iii) Subtract the debits and credits
 - iv) The ending balance will be on the side that has the greater number.

Teaching Tips/Strategy: Use the "Success Coach" LU 2-1 and the five true/false questions to assess the understanding of the T account. Normally, the assets will increase by the left or debit. Items to the right of the equal sign, such as liabilities and equity, increase by the right. The subdivisions of equity (revenue, expenses, capital, and withdrawals) will increase or decrease based on their relationship to equity. The revenue or capital accounts will increase the equity. Therefore, the account increases by the right or credit. If the account is an expense or a withdrawal, it decreases equity. The account increases by left or debit.

For lecture practice, utilize the Concept Check 1 to use T accounts to foot and balance each account.

Learning Unit 2-2: The Chart of Accounts: Recording Transactions in T Accounts According to Rules of Debits and Credits.

Summary: The accounting recording process starts with a business transaction, an exchange between two or more parties, sharing items of equal value. The double-entry analysis of transactions presents two or more accounts that are affected and the total of debits and credits that are equal. This double-entry system helps in checking the recording of business transactions. All business transactions are recorded in accounts. An **account** is a tool used to record and summarize the effects of the organization's transactions. The basic accounting equation contains the following account categories: assets, liabilities, capital, withdrawals, revenues, and expenses. The chart of accounts is a system of accounts that summarizes increases and decreases of all individual accounts. This numbering system of accounts allows accounts to be located quickly. For example, 100s are assets, 200s are liabilities, 300s are equity, 400s are revenues and 500s are expenses (See Table 2.2). A **compound entry** is a transaction that involves more than one debit or more than one credit.

The debit and credit rules are:

1. Assets increase by debit side (left) and decrease by credit side (right)

2. Liabilities increase by credit side (right) and decrease by debit side (left).
3. Equity accounts increase by credit side (right) and decrease by debit side (left). The equity subdivisions or categories will use the debit and credit rules to present the effect on the organization's equity.
 - a. The equity subdivision rules are:
 1. Revenues increase the organization's equity in the business. Revenue accounts increase by credit and decrease by debit (same as the equity).
 2. The expenses decrease the organization's equity. Therefore, all expense accounts will increase by debit and decrease by credit. (Note that any item that decreases the equity, the behavior is opposite to the main equity account.)
 3. Capital accounts increase the organization's equity. Therefore, any capital transaction will increase by credit and decrease by debit. Withdrawals by owner decrease the organization's equity. Therefore, any withdrawal increases are recorded on the debit side.

Key Concepts: normal balance of an account, chart of accounts, compound entry, double-entry bookkeeping

Lecture Outline:

- 1) Refer to Table 2.1 for the rules of debit and credit using T accounts affecting the accounting equation.
 - a) For assets increases are on the debit (left) side.
 - b) For liabilities increases are on the credit (right) side.
 - c) For capital increases are on the credit (right) side.
 - d) For revenue increases are on the credit side which is the same as for capital.
 - e) For withdrawals and expenses increases are on the debit side which is the opposite of how capital increases are.
 - f) A normal balance of an account is the side that increases by the rules of debit and credit.
 - g) The accounting equation balance must be maintained when transactions occur.
- 2) A chart of accounts is a numbered list of all of a business's accounts.
 - a) Assets use 100s (as an example).
 - b) Liabilities use 200s.
 - c) Owner's Equity uses 300s.
 - d) Revenues use 400s.
 - e) Expenses use 500s.
- 3) Transaction analysis: five steps:
 - a) Determine which accounts are affected.
 - b) Determine which categories the accounts belong to assets, liabilities, capital, withdrawals, revenue, or expenses.
 - c) Determine whether the accounts increase or decrease.
 - d) What do the rules of debit and credit say?
 - e) What does the T account look like?
- 4) Compound entry is a transaction involving more than one debit or credit.
- 5) Double-entry bookkeeping refers to an accounting system in which the recording of each transaction affects two or more accounts, and the total of the debits is equal to the total of credits.

Teaching Tips/Strategy: Use the "Success Coach" LU 2-2 (end of the chapter) and its five true/false questions to review the debit and credit rules. After reviewing the concepts, complete the Concept Checks 2 and 3 to check the debit and credit rules. Exercises 2A-1, 2A-2, 2A-3, and 2A-4 are excellent classroom practice to reinforce the objective 2 concepts.

Learning Unit 2-3: The Trial Balance and Preparation of Financial Statements

Summary: The **trial balance** is a list of all accounts with their balances in the same order as they appear in the chart of accounts. A trial balance is not a financial statement although it is used to prepare financial statements. A trial balance is a listing of each account with each account balance listed in its proper debit or credit column. Balances on the trial balance are taken directly from footings and ending balances on the T accounts. The total of the debit column should equal the total of the credit column.

The financial statements include income statement, statement of owner's equity, and the balance sheet. All financial statements have two columns. The columns are used for subtotals and NOT for debit and credit format. There are no debits and credits on the financial statements. The income statement summarizes the revenues and expenses to calculate the net income or net loss. The statement of owner's equity updates the ending capital balance for the period. It includes the beginning and ending balances of capital accounts, the net income or net loss, and the withdrawals account. The balance sheet is the representation of the accounting equation as the last day of the period or as a "snapshot". The balance sheet includes all assets, liabilities, and the ending balance of equity.

Key Concepts: Trial balance

Lecture Outline:

- 2) The trial balance:
 - a) is a list of all accounts with their balances,
 - b) the order of accounts is the same as they appear in the chart of accounts,
 - c) is not a financial statement but is a tool used to prepare financial statements,
 - d) is a list of ending balances from the ledger,
 - e) and the total of the debit column should equal the total of the credit column.
- 6) Preparing financial statements:
 - a) All financial statements are related:
 - i) the net income or net loss from the income statement flows to the statements of owner's equity,
 - ii) the ending balance of capital on the owner's equity statement flows to the balance sheet.
 - b) The dollar sign or currency sign is used at the top of each column and on the final total amounts.
 - c) One underline represents a list to subtotal
 - d) Two underlines represent the end of the statement or the final "bottom line" number.
- 7) The Income Statement: (is generally prepared first)
 - f) includes revenues and expenses
 - g) includes gains or losses
 - h) Net Income – revenues are greater than expenses. (Revenues – Expenses)
 - i) Net Loss – expenses are greater than revenues. (Expenses – Revenues)
 - j) The net income or net loss is carried to the statement of owner's equity.
- 8) The Statement of Owner's Equity:
 - a) Start with the capital balance as of the beginning of the period
 - b) Add: Net income (from the income statement)
 - c) Add: additional investments from the owners
 - d) Deduct: Net Loss (from the income statement)
 - e) Deduct: any withdrawals
 - f) Calculate the new ending balance for the capital account or owner's equity.
 - g) The new balance for owner's equity is carried to the Balance Sheet.
- 9) The Balance Sheet:

- a) Lists all assets, liabilities and the new equity or capital account balance.
- b) The total of assets = total of liabilities and equity.

Teaching Tips/Strategy: Use the “Success Coach” LU 2-3 and its five true/false questions to review trial balance and financial statement concepts. After reviewing the concepts, complete the Concept Checks 4 to confirm to order in which various accounts appear on the trial balance and assure that students understand that the order is the same as how the accounts appear in the chart of accounts and the order of general ledger.

The instructor can use the Concept Check 5 as a demonstration exercise identify which accounts on which financial statements. Exercises 2A-5 and 2B-5 are excellent classroom practice to reinforce the learning objective 3 concepts. Use the “Ten-Minute Quiz”, located on the last page of this instructor’s manual, as an quick in- class exercise to assess learning outcomes.

Teaching Tips/Strategy: Each chapter contains a Try It! at the end of each Learning Unit. The Try its! are intended as practice for students and/or as checking of student understanding. There is also a Demonstration Summary Problem with each chapter to provide an overview of all the chapter concepts. Students can study and review this problem to view how all the chapter concepts fit together.

TBEXAM.COM

Name _____ Date _____ Section _____

CHAPTER 2

TEN-MINUTE QUIZ

Circle the letter of the best response.

1. Although debits increase assets, they also
 - a. increase revenues
 - b. increase expenses
 - c. increase owner's equity
 - d. increase liabilities

2. The right side of a T account is the
 - a. increase side
 - b. decrease side
 - c. credit side
 - d. debit side

3. A compound entry is
 - a. an entry involving more than one debit or credit
 - b. an entry involving multiple transactions
 - c. an entry involving more than one date
 - d. an entry increasing and decreasing the same account

4. Which of the following accounts has a normal debit balance?
 - a. Mia Wong, Capital
 - b. Cash
 - c. Accounts Payable
 - d. Fees Earned

5. Which of the following accounts has a normal credit balance?
 - a. Office Equipment
 - b. Salaries Expense
 - c. Accounts Receivable
 - d. Accounts Payable

6. Payment of salaries to employees is recorded as a(n)
 - a. asset
 - b. liability
 - c. revenue
 - d. expense

7. The trial balance
 - a. shows the income earned during the year
 - b. shows the total amount of assets
 - c. shows the accuracy of the general ledger
 - d. is the first financial statement prepared

8. Which account is shown on the balance sheet?
 - a. Cash
 - b. Utilities Expense

- c. Withdrawals by owner
 - d. Revenue
9. Which account is shown on the income statement?
- a. Equipment
 - b. Owner, Capital Account
 - c. Accounts Payable
 - d. Rent Expense
10. Which account is shown on the statement of owner's equity?
- a. Fees Earned
 - b. Accounts Receivable
 - c. Owner, Withdrawals
 - d. Accounts Payable

Answer Key to Chapter 2 Quiz

- 1. b
- 2. c
- 3. a
- 4. b
- 5. d
- 6. d
- 7. c
- 8. a
- 9. d
- 10. c

TBEXAM.COM

2

Debits and Credits: Analyzing and Recording Business Transactions

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. A ledger is a group of accounts that records in monetary value the data from business transactions.
2. The left-hand side is always the debit side. It is an arbitrary rule.
3. False. Accounts with one entry will not need footings.
4. The financial statements are the end products of the accounting process.
5. The transaction analysis chart is a teaching device that is not used in the regular accounting process.
6. Which accounts are affected? In which categories do the accounts belong? Are the accounts increasing or decreasing? What do the rules of debit and credit say? What does the T-account look like?
7. Disagree. Computers will record debits and credits based on the account type.
8. False. The trial balance is an informal report that does not have the same status as financial statements. The trial balance is used to verify the equality of total debits and credits and prepare the financial statements.
9. The financial statements are prepared from the ending balances of the accounts (debit or credit) in the ledger. The columns on financial statements are used for listing amounts and for subtotalling.
10. It is easier to prepare the reports from the trial balance rather than the expanded accounting equation because the trial balance lists all accounts and their balances. The columns for revenue, expenses, etc., in the expanded accounting equation do not list specific titles and their balances.
11. The question in this case is whether Jasmine should be allowed to put fictitious figures into the trial balance. I would not support this type of behavior. Her behavior is extremely unprofessional and goes against professional ethical standards. Instead of putting in fictitious figures, Jasmine should stay late and correct the trial balance. She could also ask for help.

- 12.** Covid-19 affected businesses since many employees, including accountants, began to work remotely, i.e. from home. The advantage to the employee is not having any work commute time. The advantage for the company is that some employees tended to work longer hours since they were forced to self-isolate at times. Companies did have to institute or at least enforce monitoring of their employees' productivity since the employees were working remotely. Ultimately, this is good for employees because they are safer from Covid-19 by working remotely.

TBEXAM.COM

SOLUTIONS TO CONCEPT CHECKS

1. The ending balance in Cash is \$20,500 (debit balance). The ending balance in C. Rice, Capital is \$18,000(credit balance).

Cash 110	
6/24 9,000 6/28 12,000	500 6/26
21,000	500
Bal. 20,500	

C. Rice, Capital 311	
	11,000 6/1 6,000 6/8 1,000 6/22
	18,000 Bal.

2.

Category	Incr.	Decr.	Normal Bal.
A. Liability	Cr.	Dr.	Cr.
B. Revenue	Cr.	Dr.	Cr.
C. Asset	Dr.	Cr.	Dr.
D. Capital	Cr.	Dr.	Cr.
E. Withdrawal	Dr.	Cr.	Dr.
F. Asset	Dr.	Cr.	Dr.
G. Expense	Dr.	Cr.	Dr.

3.

Account	Category	Increase/Decrease	Dr. or Cr.	T Accounts	
				Cash	
				600	
Cash	Asset	↑	Dr.		
				Acc. Rec.	
				2,900	
Accounts Receivable	Asset	↑	Dr.		
				Design Service Revenue	
					3,500
Design Service Revenue	Revenue	↑	Cr.		

4. Cash
 - Accounts Receivable
 - Office Equipment
 - Accounts Payable
 - C. Norris, Capital
 - C. Norris, Withdrawals
 - Day Spa Fees Earned
 - Selling Expense
 - Salary Expense
 - Advertising Expense

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

SOLUTIONS TO SET A EXERCISES

2A-1. Balance Sheet Accounts

Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (iPad)

Liabilities

- 211 Accounts Payable

Owner's Equity

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

Income Statement Accounts

Revenue

- 411 Legal Fees

Expenses

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

2A-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update	
Computer Equipment	Asset	↑	Dr.	Computer Equipment	
				30,000	
Cash	Asset	↓	Cr.	Cash	
					8,000
Accounts Payable	Liability	↑	Cr.	Accounts Payable	
					22,000

EXERCISES (CONTINUED)
2A-3.

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

2A-4.

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

(1)

[illegible]

L. Tupuola, Capital, March 1, 202X								\$	7	2	6
Net Income for March	\$			1	7	9					
Less: Withdrawals for March				(	5	5)					
Increase in Capital									1	2	4
L. Tupuola, Capital, March 31, 202X								\$	8	5	0

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	\$	7	5	0		Liabilities					
Equipment		5	0	0		Accounts Payable	\$	4	0	0	
						Owner's Equity					
						L. Tupuola, Capital		8	5	0	
						Total Liabilities and Owner's Equity					
Total Assets	\$1	2	5	0			\$1	2	5	0	

SOLUTIONS TO SET B EXERCISES

2B-1. Balance Sheet Accounts

Assets

- 111 Cash
- 112 Accounts Receivable
- 121 Office Equipment (Microsoft Surface Pro)

Liabilities

- 211 Accounts Payable

Owner's Equity

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

Income Statement Accounts

Revenue

- 411 Legal Fees Earned

Expenses

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

2B-2.

1. Accounts Affected	2. Category	3. ↑↓	4. Rules	5. T-Account Update	
Computer Equipment	Asset	↑	Dr.	Computer Equipment	
				28,000	
Cash	Asset	↓	Cr.	Cash	
					8,000
Accounts Payable	Liability	↑	Cr.	Accounts Payable	
					20,000

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

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

(1)

Revenue:										
Cleaning Fees						\$	4	6	0	
Operating Expenses:										
Salaries Expense	\$	1	1	0						
Utilities Expense		1	7	1						
Total Operating Expenses							2	8	1	
Net Income						\$	1	7	9	

H. Ali, Capital, January 1, 202X					\$	8	6	6
Net Income for January	\$	1	7	9				
Less: Withdrawals for January		(2)	5	0)				
Decrease in Capital							(7)	1)
H. Ali, Capital, January 31, 202X					\$	7	9	5

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	\$	7	5	0		Liabilities					
Equipment		5	0	0		Accounts Payable	\$	4	5	5	
						Owner's Equity					
						H. Ali, Capital		7	9	5	
						Total Liabilities and					
Total Assets	\$1	2	5	0		Owner's Equity	\$1	2	5	0	

SOLUTIONS TO SET A PROBLEMS

PROBLEM 2A-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	Brent Omara, Capital
					(A) 30,000	30,000 (A)
Brent Omara, Capital	Capital*	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	Accounts Payable
					(B) 6,000	6,000 (B)
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense	Accounts Payable
					(C) 1,000	6,000 (B) 1,000 (C)
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash	Delivery Fees Earned
					(A)30,000 (D) 1,200	1,200 (D)
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	Delivery Fees Earned
					(E) 1,010	1,200 (D) 1,010 (E)
Delivery Fees Earned	Revenue	↑		Cr.		
F. Brent Omara, Withdrawals	Withdrawal*	↑		Dr.	Brent Omara, Withdrawals	Cash
					(F) 1,000	(A)30,000 (D) 1,200 1,000 (F)
Cash	Asset	↓		Cr.		

* A subdivision of Owner's Equity

PROBLEM 2A-2

Cash 111	
(A) 34,000	80 (D)
(C) 3,100	650 (E)
	600 (G)

Office Equipment 121	
(B) 1,000	

Accounts Payable 211	
(G) 600	1,000 (B)
	900 (F)

Lizette Pena, Capital 311	
	34,000 (A)

Lizette Pena, Withdrawals 312	
(D) 80	

Consulting Fees Earned 411	
	3,100 (C)

Advertising Expense 511	
(E) 650	

Rent Expense 512	
(F) 900	

TBEXAM.

PROBLEM 2A-3

(a)

Cash111 (A) 17,000 (G) 5,500 22,500 Bal 21,040 600 (D) 100 (E) 100 (F) 340 (H) 320 (I) 1,460	Accounts Payable211 (D) 600 1,400 (C) 800 Bal	Cleaning Fees Earned411 11,000 (B)
Accounts Receivable112 (B) 11,000 Bal 5,500 5,500 (G)	Richard Chen, Capital311 17,000 (A)	Rent Expense511 (F) 100
Office Equipment121 (C) 1,400 (H) 340 Bal 1,740	Richard Chen, Withdrawals312 (I) 320	Utilities Expense512 (E) 100

(b)

CHEN'S CUSTOM CLEANING SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

	Dr.				Cr.			
Cash	21	0	4	0				
Accounts Receivable	5	5	0	0				
Office Equipment	1	7	4	0				
Accounts Payable						8	0	0
Richard Chen, Capital					17	0	0	0
Richard Chen, Withdrawals		3	2	0				
Cleaning Fees Earned					11	0	0	0
Rent Expense		1	0	0				
Utilities Expense		1	0	0				
Totals	28	8	0	0	28	8	0	0

PROBLEM 2A-4

(a)

GABRIELLA LEITZ, ATTORNEY AT LAW
INCOME STATEMENT
FOR MONTH ENDED JANUARY 31, 202X

Revenue:									
Revenue from Legal Fees						\$1	6	0	0
Operating Expenses:									
Utilities Expense	\$	1	5	0					
Rent Expense		3	5	0					
Salaries Expense		1	5	0					
Total Operating Expenses							6	5	0
Net Income						\$	9	5	0

(b)

GABRIELLA LEITZ, ATTORNEY AT LAW
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED JANUARY 31, 202X

G. Leitz, Capital, January 1, 202X						\$4	6	0	0
Net Income for January	\$	9	5	0					
Less: Withdrawals for January		(4	0	0)					
Increase in Capital							5	5	0
G. Leitz, Capital, January 31, 202X						\$5	1	5	0

(c)

GABRIELLA LEITZ, ATTORNEY AT LAW
BALANCE SHEET
JANUARY 31, 202X

ASSETS					LIABILITIES AND OWNER'S EQUITY									
Cash	\$7	0	0	0		Liabilities								
Accounts Receivable		8	0	0		Accounts Payable				\$2	2	0	0	
Office Equipment		5	0	0		Salaries Payable					9	5	0	
						Total Liabilities					\$3	1	5	0
						Owner's Equity								
						G. Leitz, Capital					5	1	5	0
						Total Liabilities and Owner's Equity					\$8	3	0	0
Total Assets	\$8	3	0	0										

PROBLEM 2A-5

(1, 2)

Cash	111
(A) 30,000	1,200 (C)
(E) 2,600	250 (D)
(J) 100	650 (F)
	1,600 (G)
	700 (K)
32,700	4,400
28,300	
Accounts Receivable	112
(H) 1,500	100 (J)
1,400	
Office Equipment	121
(C) 1,200	
Trucks	122
(B) 5,000	

Accounts Payable	211
	5,000 (B)
	700 (I)
	5,700
Sam Kim, Capital	311
	30,000 (A)
Sam Kim, Withdrawals	312
(K) 700	
Tree Trimming Fees Earned	411
	2,600 (E)
	1,500 (H)
	4,100

Advertising Expense	511
(D) 250	
Gas Expense	512
(G) 1,600	
Salaries Expense	513
(F) 650	
Telephone Expense	514
(I) 700	

PROBLEM 2A-5 (CONTINUED)

(3)

KIM'S TREE TRIMMING SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

	Dr.					Cr.				
Cash	28	3	0	0						
Accounts Receivable	1	4	0	0						
Office Equipment	1	2	0	0						
Trucks	5	0	0	0						
Accounts Payable						5	7	0	0	
Sam Kim, Capital						30	0	0	0	
Sam Kim, Withdrawals		7	0	0						
Tree Trimming Fees Earned						4	1	0	0	
Advertising Expense		2	5	0						
Gas Expense	1	6	0	0						
Salaries Expense		6	5	0						
Telephone Expense		7	0	0						
Totals	39	8	0	0		39	8	0	0	

(4a)

KIM'S TREE TRIMMING SERVICE
INCOME STATEMENT
FOR MONTH ENDED OCTOBER 31, 202X

Revenue:										
Tree Trimming Fees Earned						\$4	1	0	0	
Operating Expenses:										
Advertising Expense	\$	2	5	0						
Gas Expense	1	6	0	0						
Salaries Expense		6	5	0						
Telephone Expense		7	0	0						
Total Operating Expenses						3	2	0	0	
Net Income						\$	9	0	0	

PROBLEM 2A-5 (CONCLUDED)

(4b)

KIM'S TREE TRIMMING SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED OCTOBER 31, 202X

Sam Kim, Capital, October 1, 202X						\$			0	
Investment in October			.			30	0	0	0	
Total investment for October						30	0	0	0	
Net Income for October	\$	9	0	0						
Less: Withdrawals for October		(7	0	0)						
Increase in Capital							2	0	0	
Sam Kim, Capital, October 31, 202X						\$30	2	0	0	

(4c)

KIM'S TREE TRIMMING SERVICE
BALANCE SHEET
OCTOBER 31, 202X

ASSETS						LIABILITIES AND OWNER'S EQUITY					
Cash	28	3	0	0		Liabilities					
Accounts Receivable	1	4	0	0		Accounts Payable	\$ 5	7	0	0	
Office Equipment	1	2	0	0							
Trucks	5	0	0	0		Owner's Equity					
						Sam Kim, Capital	30	2	0	0	
						Total Liabilities and					
Total Assets	\$35	9	0	0		Owner's Equity	\$35	9	0	0	

SOLUTIONS TO SET B PROBLEMS

PROBLEM 2B-1

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account update	
A. Cash	Asset	↑		Dr.	Cash	B. Orwell, Capital
					(A) 50,000	50,000 (A)
B. Orwell, Capital	Capital	↑		Cr.		
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks	Accounts Payable
					(B) 13,000	13,000 (B)
Accounts Payable	Liability	↑		Cr.		
C. Rent Expense	Expense	↑		Dr.	Rent Expense	Accounts Payable
					(C) 1,100	13,000 (B) 1,100 (C)
Accounts Payable	Liability	↑		Cr.		
D. Cash	Asset	↑		Dr.	Cash	Delivery Fees Earned
					(A) 50,000 (D) 2,500	2,500 (D)
Delivery Fees Earned	Revenue	↑		Cr.		
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable	Delivery Fees Earned
					(E)1,200	2,500 (D) 1,200 (E)
Delivery Fees Earned	Revenue	↑		Cr.		
F. B. Orwell, Withdrawals	Withdrawal	↑		Dr.	B. Orwell, Withdrawals	Cash
					(F) 400	(A)50,000 (D) 2,500 400 (F)
Cash	Asset	↓		Cr.		

PROBLEM 2B-2

Cash	111	Tina Diskin Withdrawals	312
(A) 33,000	150 (D)	(D) 150	
(C) 2,000	250 (E)		
	600 (G)		
Office Equipment	121	Consulting Fees Earned	411
(B) 2,500		2,000 (C)	
Accounts Payable	211	Advertising Expense	511
(G) 600	2,500 (B)	(E) 250	
	500 (F)		
Tina Diskin, Capital	311	Rent Expense	512
	33,000 (A)	(F) 500	

TBEXAM.COM

PROBLEM 2B-3

(a)

Cash	111	Accounts Payable	211	Cleaning Fees Earned	411
7,000 (A)	400 (D)	400 (D)	2,100 (C)		11,000 (B)
2,000 (G)	500 (E)		1,700 Bal.		
	550 (F)				
	550 (H)				
	320 (I)				
9,000	2,320				
Bal. 6,680					
Accounts Receivable	112	Brent Jane, Capital	311	Rent Expense	511
11,000 (B)	2,000 (G)	7,000 (A)		550 (F)	
Bal. 9,000					
Office Equipment	121	Brent Jane, Withdrawals	312	Utility Expense	512
2,100 (C)		320 (I)		500 (E)	
550 (H)					
Bal. 2,650					

TBEXAM.COM

(b)

BRENT'S CLEANING SERVICE
TRIAL BALANCE
JULY 31, 202X

	Dr.					Cr.				
Cash	6	6	8	0						
Accounts Receivable	9	0	0	0						
Office Equipment	2	6	5	0						
Accounts Payable						1	7	0	0	
Brent Jane, Capital						7	0	0	0	
Brent Jane, Withdrawals		3	2	0						
Cleaning Fees Earned						11	0	0	0	
Rent Expense		5	5	0						
Utilities Expense		5	0	0						
Totals	19	7	0	0		19	7	0	0	

(a)

[illegible][illegible][illegible]

(1, 2)

~~Access Complete Solutions Manual for College Accounting: A Practical Approach 15th Edition TBEXAM.COM THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES~~

PROBLEM 2B-5 (CONTINUED)
(3)

ANGELIQUE'S GROCERY DELIVERY SERVICE
TRIAL BALANCE
OCTOBER 31, 202X

		Dr.					Cr.			
Cash	32	8	0	0						
Accounts Receivable		7	0	0						
Office Equipment	1	1	0	0						
Delivery Trucks	13	0	0	0						
Accounts Payable						13	0	5	0	
Angelique Bujol, Capital						33	0	0	0	
Angelique Bujol, Withdrawals		7	0	0						
Grocery Delivery Fees Earned						4	3	0	0	
Advertising Expense		2	5	0						
Gas Expense	1	0	0	0						
Salaries Expense		7	5	0						
Telephone Expense			5	0						
Totals	50	3	5	0		50	3	5	0	

(4a)

ANGELIQUE'S GROCERY DELIVERY SERVICE
INCOME STATEMENT
FOR MONTH ENDED OCTOBER 31, 202X

Revenue:										
Grocery Delivery Fees Earned						\$4	3	0	0	
Operating Expenses:										
Advertising Expense	\$	2	5	0						
Gas Expense	1	0	0	0						
Salaries Expense		7	5	0						
Telephone Expense			5	0						
Total Operating Expenses						2	0	5	0	
Net Income						\$2	2	5	0	

PROBLEM 2B-5 (CONCLUDED)
(4b)

ANGELIQUE'S GROCERY DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR MONTH ENDED OCTOBER 31, 202X

Angelique Bujol, Capital, October 1, 202X					\$			0	
Investment in October					33	0	0	0	
Total investment for October					33	0	0	0	
Net Income for October	\$2	2	5	0					
Less: Withdrawals for October		(7	0	0)					
Increase in Capital					1	5	5	0	
Angelique Bujol, Capital, October 31, 202X					\$34	5	5	0	

(4c)

ANGELIQUE'S GROCERY DELIVERY SERVICE
BALANCE SHEET
OCTOBER 31, 202X

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$32	8	0	0		Liabilities				
Accounts Receivable		7	0	0		Accounts Payable	\$13	0	5	0
Office Equipment	1	1	0	0						
Delivery Trucks	13	0	0	0		Owner's Equity				
						Angelique Bujol, Capital	34	5	5	0
						Total Liabilities and				
Total Assets	\$47	6	0	0		Owner's Equity	\$47	6	0	0

FINANCIAL REPORT PROBLEM SOLUTION—

1. 2020 Amazon.com's Annual Report

Year	Accounts Payable
2020	\$72,539 million
2019	<u>\$47,183 million</u>
Increase	<u>\$25,356 million</u>

Accounts Payable increased by \$25.3 billion in 2020. The change means Amazon.com, Inc. owes more to suppliers in 2020 than in 2019. Accounts Payable is a liability that increases with a credit.

2. Target's accounts payable balance for 2020 is \$12,859 million, which is an increase of \$2,939 million from the prior year.

Date	Accounts Payable
1/30/2021 (2020 Annual Report)	\$12,859 million
2/1/2020 (2019 Annual Report)	<u>\$9,920 million</u>
Increase	<u>\$2,939 million</u>

KEEPING IT REAL--Suarez Digital Services Solution

Assignments 1-3

Cash 1000	Computer Shop Equipment 1080	Supplies 1030	Accounts Receivable 1020
10,540 (bal)	1,260 (bal)	500 (bal)	1,100 (O)
1,400 (P)		500 (S)	
		1,000 (bal)	
11,940			
10,970 (bal)	Suarez, Capital 3000	Accounts Payable 2000	Office Equipment 1090
	12,500 (bal)	50 (M)	4,500 (bal)
		100 (Q)	
		150	
		1,300	
		1,150 (bal)	
Suarez, Withdrawals 3010	Rent Expense 5020	Advertising Expense 5010	Service Revenue 4000
1,500 (bal)	800 (bal)	500(N)	3,100 (bal)
			1,100 (O)
			1,400 (P)
			5,600 (bal)
Utilities Expense 5030	Insurance Expense 5060	Supplies Expense 5050	Phone Expense 5040
100 (bal)	300 (L)	0	200(K)
Postage Expense 5070			
20 (R)			

Assignment 4

**SUAREZ DIGITAL SERVICES
TRIAL BALANCE
AUGUST 31, 202X**

Dr.

Cr.

Cash	10	9	7	0	00					
Accounts Receivable	_1	1	0	0	00					
Supplies	_1	0	0	0	00					
Computer Shop Equipment	_1	2	6	0	00					
Office Equipment	_1	5	0	0	00					
Accounts Payable						_1	1	5	0	00
Suarez, Capital						12	5	0	0	00
Suarez, Withdrawals	_1	5	0	0	00					
Service Revenue						_5	6	0	0	00
Advertising Expense		5	0	0	00					
Rent Expense		8	0	0	00					
Utilities Expense		1	0	0	00					
Phone Expense		2	0	0	00					
Insurance Expense		3	0	0	00					
Postage Expense			2	0	00					
Totals	19	2	5	0	00	19	2	5	0	00

Assignment 5

**SUAREZ DIGITAL SERVICES
INCOME STATEMENT
FOR THE TWO MONTHS ENDED AUGUST 31, 202X**

Revenue:										
Service Revenue						\$ 5	6	0	0	00
Operating Expenses:										
Advertising Expense	\$	5	0	0	00					
Rent Expense		8	0	0	00					
Utilities Expense		1	0	0	00					
Phone Expense		2	0	0	00					
Insurance Expense		3	0	0	00					
Postage Expense			2	0	00					
Total Operating Expenses						1	9	2	0	00
Net Income						\$ 3	6	8	0	00

Assignment 5 (Concluded)

SUAREZ DIGITAL SERVICES
STATEMENT OF OWNER'S EQUITY
FOR THE TWO MONTHS ENDED AUGUST 31, 202X

Suarez, Capital, July 1, 202X						\$			0	00
Investment in July						12	5	0	0	00
Total investment for July						12	5	0	0	00
Net Income	\$	3	6	8	0	00				
Less: Suarez Withdrawals	(	1	5	0	0	00)				
Net Increase Capital						2	1	8	0	00
Suarez, Capital, August 31, 202X						\$14	6	8	0	00

SUAREZ DIGITAL SERVICES
BALANCE SHEET
AUGUST 31, 202X

ASSETS

LIABILITIES AND OWNER'S EQUITY

Cash	\$10	9	7	0	00	Liabilities:					
Accounts Receivable	1	1	0	0	00	Accounts Payable	\$	1	5	0	00
Supplies	1	0	0	0	00						
Computer Shop Equipment	1	2	6	0	00	Owner's Equity:					
Office Equipment	1	5	0	0	00	Suarez, Capital	14	6	8	0	00
						Total Liabilities and					
Total Assets	\$15	8	3	0	00	Owner's Equity	\$15	8	3	0	00