

Solutions Manual for Accounting Principles 13th Weygandt

CHAPTER 2

The Recording Process

ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>A Problems</u>
1. Describe how accounts, debits, and credits are used to record business transactions.	1, 2, 3, 4, 5, 6, 7, 8, 9, 21	1, 2	1	1, 2, 4, 6, 7,	1A, 2A, 3A, 5A
2. Indicate how a journal is used in the recording process.	10, 11, 12, 13, 14, 16	3, 4, 5, 6	2	3, 5, 6, 7, 8, 9, 12, 13, 14, 17	1A, 2A, 3A, 5A
3. Explain how a ledger and posting help in the recording process.	15, 17	7, 8	3	10, 11, 14, 17	2A, 3A, 5A
4. Prepare a trial balance.	18, 19, 20	9, 10	4	11, 12, 13, 15, 16, 17	2A, 3A, 4A, 5A

ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Journalize a series of transactions.	Easy	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Easy	30–40
3A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
4A	Prepare a correct trial balance.	Moderate	30–40
5A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50

ANSWERS TO QUESTIONS

1. A T account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.

LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

2. Disagree. The terms debit and credit mean left and right respectively.

LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

3. Pete is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

4. Melissa is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

5. (a) Asset accounts are increased by debits and decreased by credits.
(b) Liability accounts are decreased by debits and increased by credits.
(c) Revenues and owner's capital are increased by credits and decreased by debits. Expenses and owner's drawing are increased by debits and decreased by credits.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

6. (a) Accounts Receivable—debit balance.
(b) Cash—debit balance.
(c) Owner's Drawings—debit balance.
(d) Accounts Payable—credit balance.
(e) Service Revenue—credit balance.
(f) Salaries and Wages Expense—debit balance.
(g) Owner's Capital—credit balance.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

7. (a) Accounts Receivable—asset—debit balance.
(b) Accounts Payable—liability—credit balance
(c) Equipment—asset—debit balance.
(d) Owner's Drawings—owner's equity—debit balance.
(e) Supplies—asset—debit balance.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

8. (a) Debit Supplies and credit Accounts Payable.
(b) Debit Cash and credit Notes Payable.
(c) Debit Salaries and Wages Expense and credit Cash.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

9. (1) Cash—both debit and credit entries.
(2) Accounts Receivable—both debit and credit entries.
(3) Owner's Drawings—debit entries only.
(4) Accounts Payable—both debit and credit entries.
(5) Salaries and Wages Expense—debit entries only.
(6) Service Revenue—credit entries only.

Questions Chapter 2 (Continued)

10. The basic steps in the recording process are:

- (1) Analyze each transaction for its effect on the accounts.
- (2) Enter the transaction information in a journal.
- (3) Transfer the journal information to the appropriate accounts in the ledger.

LO 2 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

11. The advantages of using the journal in the recording process are:

- (1) It discloses in one place the complete effects of a transaction.
- (2) It provides a chronological record of all transactions.
- (3) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

12. (a) The debit should be entered first.
(b) The credit should be indented.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid for with cash and the remainder is on account.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

14. (a) No, debits and credits should not be recorded directly in the ledger.
(b) The advantages of using the journal are:

1. It discloses in one place the complete effects of a transaction.
2. It provides a chronological record of all transactions.
3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

15. The advantage of the last step in the posting process is to indicate that the item has been posted.

LO 3 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

16. (a)	Cash	7,000	
	Owner's Capital		7,000
	(Invested cash in the business)		
(b)	Prepaid Insurance	800	
	Cash		800
	(Paid one-year insurance policy)		
(c)	Supplies	2,000	
	Accounts Payable		2,000
	(Purchased supplies on account)		
(d)	Cash	8,500	
	Service Revenue		8,500
	(Received cash for services performed)		

Questions Chapter 2 (Continued)

- 17.** (a) The entire group of accounts maintained by a company, including all the asset, liability, and owner's equity accounts, is referred to collectively as the ledger.
(b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO 3 BT: K Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Measurement, Reporting

- 18.** A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.

LO 4 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

- 19.** No, Victor is not correct. The proper sequence is as follows:
(b) Business transaction occurs.
(c) Information entered in the journal.
(a) Debits and credits posted to the ledger.
(e) Trial balance is prepared.
(d) Financial statements are prepared.

LO 4 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

- 20.** (a) The trial balance would balance.
(b) The trial balance would not balance.

LO 4 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

- 21.** The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.

LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 2-1

	(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1. Accounts Payable	Decrease	Increase	Credit
2. Advertising Expense	Increase	Decrease	Debit
3. Service Revenue	Decrease	Increase	Credit
4. Accounts Receivable	Increase	Decrease	Debit
5. Owner's Capital	Decrease	Increase	Credit
6. Owner's Drawings	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 7 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-2

	Account Debited	Account Credited
June 1	Cash	Owner's Capital
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

LO 1 BT: C Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-3

June 1	Cash	5,000	
	Owner's Capital		5,000
2	Equipment.....	3,600	
	Accounts Payable.....		3,600
3	Rent Expense	800	
	Cash.....		800
12	Accounts Receivable	400	
	Service Revenue		400

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-4

The basic steps in the recording process are:

1. **Analyze each transaction. In this step, business documents are examined to determine the effects of the transaction on the accounts.**
2. **Enter each transaction in a journal. This step is called journalizing and it results in making a chronological record of the transactions.**
3. **Transfer journal information to ledger accounts. This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.**

LO 2 BT: C Difficulty: Moderate TOT: 6 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-5

	(a) <u>Effect on Accounting Equation</u>	(b) <u>Debit-Credit Analysis</u>
Aug. 1	The asset Cash is increased; the owner's equity account Owner's Capital is increased.	Debits increase assets: debit Cash \$9,000. Credits increase owner's equity: credit Owner's Capital \$9,000.
4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance \$2,100. Credits decrease assets: credit Cash \$2,100.
16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash \$3,600. Credits increase revenues: credit Service Revenue \$3,600.
27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense \$1,000. Credits decrease assets: credit Cash \$1,000.

LO 2 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-6

Aug. 1	Cash.....	9,000	
	Owner's Capital		9,000
4	Prepaid Insurance.....	2,100	
	Cash		2,100
16	Cash.....	3,600	
	Service Revenue.....		3,600
27	Salaries and Wages Expense.....	1,000	
	Cash		1,000

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-7

Cash			Service Revenue		
5/12	4,200			5/5	5,400
5/15	3,000			5/15	3,000
Ending Bal. 7,200				Ending Bal. 8,400	

Accounts Receivable			
5/5	5,400	5/12	4,200
Ending Bal. 1,200			

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-8

Cash					
Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	4,200		4,200
15		J1	3,000		7,200

BRIEF EXERCISE 2-8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,400		5,400
12		J1		4,200	1,200

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,400	5,400
15		J1		3,000	8,400

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-9

AMARO COMPANY Trial Balance June 30, 2020

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 5,800	
Accounts Receivable	3,000	
Equipment.....	17,000	
Accounts Payable		\$ 8,100
Owner's Capital		15,000
Owner's Drawings	1,200	
Service Revenue		10,000
Salaries and Wages Expense	5,100	
Rent Expense	1,000	
	<u>\$33,100</u>	<u>\$33,100</u>

$[(\$5,800 + \$3,000 + \$17,000 + \$1,200 + \$5,100 + \$1,000) = (\$8,100 + \$15,000 + \$10,000)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Equip.} + \text{Owner's draws.} + \text{Sal. \& wages exp.} + \text{Rent exp.}) = (\text{Accts. pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-10

SHAUSHANK COMPANY
Trial Balance
December 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash	\$10,600	
Prepaid Insurance	3,500	
Accounts Payable.....		\$ 3,000
Unearned Service Revenue		2,200
Owner's Capital		9,000
Owner's Drawings	4,500	
Service Revenue.....		25,400
Salaries and Wages Expense	18,600	
Rent Expense.....	2,400	
	<u>\$39,600</u>	<u>\$39,600</u>

$[(\$10,600 + \$3,500 + \$4,500 + \$18,600 + \$2,400) = (\$3,000 + \$2,200 + \$9,000 + \$25,400)]$

$[(\text{Cash} + \text{Prepd. ins.} + \text{Owner's draws.} + \text{Sal. \& wages exp.} + \text{Rent exp.}) = (\text{Accts. pay.} + \text{Unearn. serv. rev.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO 4 BT: AN Difficulty: Moderate TOT: 7 min. AACSB: Analytic AICPA FC: Measurement

SOLUTIONS FOR DO IT! EXERCISES

DO IT! 2-1

Tom would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

Cash (debit balance) Supplies (debit balance) Notes Payable (credit balance)	Equipment (debit balance) Accounts Payable (credit balance) Owner's Capital (credit balance)
---	---

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Measurement

DO IT! 2-2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:

- | | | | |
|----|--|--------------|--------------|
| 1. | Cash..... | 6,500 | |
| | Owner's Capital..... | | 6,500 |
| 2. | Supplies | 1,200 | |
| | Cash..... | | 400 |
| | Accounts Payable | | 800 |
| 3. | No entry because no transaction has occurred. | | |

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

DO IT! 2-3

Cash			
4/1	1,600	4/16	700
4/3	3,400	4/20	250
4/30	4,050		

LO 3 BT: AP Difficulty: Easy TOT: 3 min. AACSB: Analytic AICPA FC: Measurement

DO IT! 2-4

MACON COMPANY
Trial Balance
December 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 6,000	
Accounts Receivable	8,000	
Supplies	7,000	
Equipment.....	80,000	
Notes Payable.....		\$ 20,000
Accounts Payable.....		11,000
Salaries and Wages Payable		3,000
Owner's Capital		28,000
Owner's Drawings	9,000	
Service Revenue.....		90,000
Rent Expense.....	4,000	
Salaries and Wages Expense	38,000	
	<u>\$152,000</u>	<u>\$152,000</u>

$[(\$6,000 + \$8,000 + \$7,000 + \$80,000 + \$9,000 + \$4,000 + \$38,000) = (\$20,000 + \$11,000 + \$3,000 + \$28,000 + \$90,000)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Equip.} + \text{Owner's draws.} + \text{Rent exp.} + \text{Sal. \& wages exp.}) = (\text{Notes pay.} + \text{Accts. pay.} + \text{Sal. \& wages pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO 4 BT: AP Difficulty: Easy TOT: 7 min. AACSB: Analytic AICPA FC: Measurement

SOLUTIONS TO EXERCISES

EXERCISE 2-1

1. **False.** An account is an accounting record of a specific asset, liability, *or owner's equity item*.
2. **False.** An account shows *increases and decreases* in the item it relates to.
3. **False.** Each asset, liability, and *owner's equity item has a separate account*.
4. **False.** An account has a left, or *debit* side, and a right, or *credit* side.
5. **True.**

LO 1 BT: K Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Measurement

Transaction	Account Debited				Account Credited			
	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Owner's Equity	Owner's Capital	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Owner's Equity	Service Revenue	Increase	Credit
16	Owner's Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Owner's Equity	Owner's Drawings	Increase	Debit	Asset	Cash	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 12 min. AACSB: None AICPA FC: Measurement

EXERCISE 2-3

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Jan. 2	Cash		10,000	
	Owner's Capital			10,000
3	Equipment		3,000	
	Cash			3,000
9	Supplies		600	
	Accounts Payable			600
11	Accounts Receivable		2,400	
	Service Revenue			2,400
16	Advertising Expense		350	
	Cash			350
20	Cash		900	
	Accounts Receivable			900
23	Accounts Payable		300	
	Cash			300
28	Owner's Drawings		1,000	
	Cash			1,000

LO2 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-4

- Oct. 1 **Debits increase assets: debit Cash \$17,000.**
 Credits increase owner's equity: credit Owner's Capital \$17,000.
- 2 **No transaction.**
- 3 **Debits increase assets: debit Equipment \$1,900.**
 Credits increase liabilities: credit Accounts Payable \$1,900.

EXERCISE 2-4 (Continued)

- Oct. 6 Debits increase assets: debit Accounts Receivable \$3,800.
 Credits increase revenues: credit Service Revenue \$3,800.
- 27 Debits decrease liabilities: debit Accounts Payable \$1,300.
 Credits decrease assets: credit Cash \$1,300.
- 30 Debits increase expenses: debit Salaries and Wages Expense
 \$2,500.
 Credits decrease assets: credit Cash \$2,500.

LO1 BT: C Difficulty: Easy Tot: 8 min. AACSB: None AICPA FC: Measurement

EXERCISE 2-5

General Journal				
Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash		17,000	
	Owner's Capital			17,000
2	No entry.			
3	Equipment		1,900	
	Accounts Payable			1,900
6	Accounts Receivable		3,800	
	Service Revenue.....			3,800
27	Accounts Payable		1,300	
	Cash			1,300
30	Salaries and Wages Expense		2,500	
	Cash			2,500

LO2 BT: AP Difficulty: Easy Tot: 8 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-6

- (a) 1. Increase the asset Cash, increase the liability Notes Payable.
2. Increase the asset Equipment, decrease the asset Cash.
3. Increase the asset Supplies, increase the liability Accounts Payable.

(b) 1.	Cash	5,000	
	Notes Payable		5,000
2.	Equipment.....	3,900	
	Cash		3,900
3.	Supplies	650	
	Accounts Payable.....		650

LO1, 2 BT: AP Difficulty: Easy Tot: 8 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-7

- (a) **Assets = Liabilities + Owner's Equity**
- | | | | |
|----|---|---|--------------|
| 1. | + | + | (Investment) |
| 2. | - | - | (Expense) |
| 3. | + | + | (Revenue) |
| 4. | - | - | (Drawings) |

(b) 1.	Cash	4,000	
	Owner's Capital		4,000
2.	Rent Expense	840	
	Cash		840
3.	Accounts Receivable	5,200	
	Service Revenue.....		5,200
4.	Owner's Drawings	750	
	Cash		750

LO1, 2 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-8

General Journal

Date	Account Titles	Debit	Credit
March 1	Rent Expense	1,200	
	Cash		1,200
3	Accounts Receivable	160	
	Service Revenue		160
5	Cash	75	
	Service Revenue		75
8	Equipment	600	
	Cash		90
	Accounts Payable		510
12	Cash	160	
	Accounts Receivable		160
14	Salaries and Wages Expense	525	
	Cash		525
22	Utilities Expense	72	
	Cash		72
24	Cash	1,500	
	Notes Payable		1,500
27	Repairs Expense	220	
	Cash		220
28	Accounts Payable	510	
	Cash		510
30	Prepaid Insurance	1,800	
	Cash		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-9

Trans.	Account Titles	Debit	Credit
1.	Cash.....	24,000	
	Owner's Capital		24,000
2.	Cash.....	7,000	
	Notes Payable.....		7,000
3.	Equipment	11,000	
	Cash		11,000
4.	Rent Expense	1,200	
	Cash		1,200
5.	Supplies.....	1,450	
	Cash		1,450
6.	Advertising Expense	600	
	Accounts Payable		600
7.	Cash.....	2,000	
	Accounts Receivable.....	16,000	
	Service Revenue		18,000
8.	Owner's Drawings	400	
	Cash		400
9.	Utilities Expense	2,000	
	Cash		2,000
10.	Accounts Payable.....	600	
	Cash		600
11.	Interest Expense	40	
	Cash		40
12.	Salaries and Wages Expense.....	6,400	
	Cash		6,400
13.	Cash.....	12,000	
	Accounts Receivable		12,000

LO 2 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-10

1. False. The general ledger contains all the asset, liability, *and owner's equity* accounts.
2. True.
3. False. The accounts in the general ledger are arranged in *financial statement order*: first the assets, then the liabilities, owner's capital, owner's drawings, revenues, and expenses.
4. True.
5. False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

LO3 BT: K Difficulty: Easy Tot: 4 min. AACSB: None AICPA FC: Measurement

EXERCISE 2-11

(a)

Cash			
Aug. 1	5,000	Aug. 12	2,300
10	2,600		
31	900		
Bal.	6,200		

Accounts Receivable			
Aug. 25	1,700	Aug. 31	900
Bal.	800		

Equipment	
Aug. 12	5,000

Notes Payable		
	Aug. 12	2,700

Owner's Capital		
	Aug. 1	5,000

Service Revenue		
	Aug. 10	2,600
	25	1,700
	Bal.	4,300

EXERCISE 2-11 (Continued)

(b)

JUNE FELDMAN, INVESTMENT BROKER

Trial Balance August 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 6,200	
Accounts Receivable.....	800	
Equipment.....	5,000	
Notes Payable		\$ 2,700
Owner's Capital		5,000
Service Revenue		4,300
	<u>\$12,000</u>	<u>\$12,000</u>

$[(\$6,200 + \$800 + \$5,000) = (\$2,700 + \$5,000 + \$4,300)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Equip.}) = (\text{Notes pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO3, 4 BT: AP Difficulty: Easy Tot: 12 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-12

(a)

General Journal				
Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash..... Owner's Capital (Owner's investment of cash in business)		14,000	14,000
4	Supplies..... Accounts Payable..... (Purchased supplies on Account)		1,800	1,800
7	Accounts Receivable..... Service Revenue..... (Billed customers for services provided)		3,000	3,000
12	Cash..... Service Revenue..... (Received cash for services performed)		900	900
15	Salaries and Wages Expense..... Cash (Paid salaries to date)		1,300	1,300
25	Accounts Payable..... Cash (Paid creditors on account)		1,500	1,500
29	Cash..... Accounts Receivable (Received cash in payment of account)		400	400
30	Cash..... Unearned Service Revenue (Received cash for future services)		1,000	1,000

EXERCISE 2-12 (Continued)

(b) **NEGRETE LANDSCAPING COMPANY**
Trial Balance
April 30, 2020

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$13,500	
Accounts Receivable.....	2,600	
Supplies	1,800	
Accounts Payable.....		\$ 300
Unearned Service Revenue.....		1,000
Owner's Capital		14,000
Service Revenue		3,900
Salaries and Wages Expense	<u>1,300</u>	
	<u>\$19,200</u>	<u>\$19,200</u>

$[(\$13,500 + \$2,600 + \$1,800 + \$1,300) = (\$300 + \$1,000 + \$14,000 + \$3,900)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Sal. \& wages exp.}) = (\text{Accts. pay.} + \text{Unearn. serv. rev.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO2, 4 BT: AP Difficulty: Moderate Tot: 12 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-13

(a) Oct. 1	Cash.....	3,000	
	Owner's Capital.....		3,000
	(Owner's investment of cash in business)		
10	Cash.....	750	
	Service Revenue		750
	(Received cash for services performed)		
10	Cash.....	4,000	
	Notes Payable		4,000
	(Obtained loan from bank)		
20	Cash.....	500	
	Accounts Receivable		500
	(Received cash in payment of account)		

EXERCISE 2-13 (Continued)

20	Accounts Receivable	940	
	Service Revenue		940
	(Billed clients for services performed)		

(b) **SHUMWAY CO.**
Trial Balance
October 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 7,200	
Accounts Receivable	1,240	
Supplies	400	
Equipment	2,000	
Notes Payable		\$ 4,000
Accounts Payable		500
Owner's Capital		5,000
Owner's Drawings	300	
Service Revenue		2,490
Salaries and Wages Expense	500	
Rent Expense	350	
	<u>\$11,990</u>	<u>\$11,990</u>

$[(\$7,200 + \$1,240 + \$400 + \$2,000 + \$300 + \$500 + \$350) = (\$4,000 + \$500 + \$5,000 + \$2,490)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Equip.} + \text{Owner's draws.} + \text{Sal. \& wages exp.} + \text{Rent exp.}) = (\text{Notes pay.} + \text{Accts. pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO2, 4 BT: AP Difficulty: Moderate Tot: 15 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-14

(a)

General Journal				J1
Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash	101	10,000	
	Owner's Capital	301		10,000
5	Equipment	157	14,000	
	Cash	101		4,000
	Accounts Payable	201		10,000
25	Accounts Payable	201	3,000	
	Cash	101		3,000
30	Owner's Drawings	306	900	
	Cash	101		900

EXERCISE 2-14 (Continued)

(b)

Cash					No. 101
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		3,000	3,000
30		J1		900	2,100

Equipment					No. 157
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	14,000		14,000

Accounts Payable					No. 201
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		10,000	10,000
25		J1	3,000		7,000

Owner's Capital					No. 301
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		10,000	10,000

Owner's Drawings					No. 306
Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	900		900

LO2, 3 BT: AP Difficulty: Moderate Tot: 15 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-15

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	\$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	27*	Debit

*\$652 - \$625

LO4 BT: AN Difficulty: Moderate Tot: 6 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-16

PROMPT DELIVERY SERVICE Trial Balance July 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash (\$74,819 – Debit total without Cash \$62,338)	\$12,481	
Accounts Receivable	7,640	
Prepaid Insurance	1,968	
Equipment.....	45,360	
Notes Payable.....		\$17,000
Accounts Payable.....		8,394
Salaries and Wages Payable		815
Owner's Capital		38,000
Owner's Drawings	700	
Service Revenue.....		10,610
Salaries and Wages Expense	4,428	
Maintenance and Repairs Expense.....	961	
Gasoline Expense.....	758	
Utilities Expense.....	523	
	<u>\$74,819</u>	<u>\$74,819</u>

$[(\$12,481 + \$7,640 + \$1,968 + \$45,360 + \$700 + \$4,428 + \$961 + \$758 + \$523) = (\$17,000 + \$8,394 + \$815 + \$38,000 + \$10,610)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Prepd. ins.} + \text{Equip.} + \text{Owner's draws.} + \text{Sal. \& wages exp.} + \text{Maint. \& repairs exp.} + \text{Gas. exp.} + \text{Util. exp.}) = (\text{Notes pay.} + \text{Accts. pay.} + \text{Sal. \& wages pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO 4 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Reporting

EXERCISE 2-17**(a)**

Date	Account Titles	Debit	Credit
Oct. 1	Cash	66,000	
	 Owner's Capital		66,000
2	No entry		
4	Rent Expense.....	2,000	
	 Cash		2,000
7	Equipment.....	18,000	
	 Cash		4,000
	 Accounts Payable		14,000
8	Advertising Expense	500	
	 Cash		500
10	Maintenance and Repairs Expense	390	
	 Accounts Payable		390
12	Accounts Receivable.....	3,200	
	 Service Revenue		3,200
16	Supplies	410	
	 Accounts Payable		410
21	Accounts Payable.....	14,000	
	 Cash		14,000
24	Utilities Expense	148	
	 Cash		148
27	Cash	3,200	
	 Accounts Receivable		3,200
31	Salaries and Wages Expense	5,100	
	 Cash		5,100

EXERCISE 2-17 (Continued)

(b)

Cash

10/1	66,000	10/4	2,000
10/27	3,200	10/7	4,000
		10/8	500
		10/21	14,000
		10/24	148
		10/31	5,100
Bal.	43,452		

Accounts Receivable

10/12	3,200	10/27	3,200

Supplies

10/16	410		
Bal.	410		

Equipment

10/7	18,000		
Bal.	18,000		

Accounts Payable

10/21	14,000	10/7	14,000
		10/10	390
		10/16	410
		Bal.	800

Owner's Capital

	10/1	66,000
	Bal.	66,000

Service Revenue

	10/12	3,200
	Bal.	3,200

Advertising Expense

10/8	500	
Bal.	500	

Salaries and Wages Expense

10/31	5,100	
Bal.	5,100	

Maintenance & Repairs Expense

10/10	390	
Bal.	390	

Rent Expense

10/4	2,000	
Bal.	2,000	

Utilities Expense

10/24	148	
Bal.	148	

EXERCISE 2-17 (Continued)

(c)

BEYERS SECURITY COMPANY Trial Balance October 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$43,452	
Supplies.....	410	
Equipment	18,000	
Accounts Payable		\$ 800
Owner's Capital.....		66,000
Service Revenue		3,200
Advertising Expense	500	
Salaries and Wages Expense.....	5,100	
Maintenance and Repairs Expense	390	
Rent Expense	2,000	
Utilities Expense	148	
	<u>\$70,000</u>	<u>\$70,000</u>

(Tot. credits = Accts. pay. + Owner's cap. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 30 min. AACSB: Analytic AICPA FC: Measurement, Reporting

SOLUTIONS TO PROBLEMS

PROBLEM 2-1A

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash		20,000	
	Owner's Capital			20,000
	(Owner's investment of cash in business)			
3	Land.....		12,000	
	Buildings		2,000	
	Equipment.....		1,000	
	Cash			15,000
	(Purchased Rainbow's Golf Land)			
5	Advertising Expense		900	
	Cash			900
	(Paid for advertising)			
6	Prepaid Insurance		600	
	Cash			600
	(Paid for one-year insurance policy)			
10	Equipment.....		1,050	
	Accounts Payable			1,050
	(Purchased equipment on account)			
18	Cash		1,100	
	Service Revenue			1,100
	(Received cash for services performed)			
19	Cash (150 x \$10)		1,500	
	Unearned Service Revenue			1,500
	(Received cash for coupon books sold)			

PROBLEM 2-1A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Owner's Drawings.....		800	
	Cash			800
	(Withdrew cash for personal use)			
30	Salaries and Wages Expense.....		250	
	Cash			250
	(Paid salaries)			
30	Accounts Payable		1,050	
	Cash			1,050
	(Paid creditor on account)			
31	Cash.....		2,700	
	Service Revenue			2,700
	(Received cash for services performed)			

LO1, 2 BT: AP Difficulty: Easy TOT: 20 AACSB: Analytic AICPA FC: Measurement

PROBLEM 2-2A

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash.....	101	20,000	
	Owner's Capital	301		20,000
	(Owner's investment of cash			
	in business)			
1	No entry—not a transaction.			
2	Rent Expense	729	1,500	
	Cash	101		1,500
	(Paid monthly office rent)			
3	Supplies.....	126	4,000	
	Accounts Payable.....	201		4,000
	(Purchased supplies on			
	account from Dazzle Company)			
10	Accounts Receivable.....	112	5,100	
	Service Revenue.....	400		5,100
	(Billed clients for services			
	performed)			
11	Cash.....	101	1,000	
	Unearned Service Revenue.....	209		1,000
	(Received cash for future			
	service)			
20	Cash.....	101	2,100	
	Service Revenue.....	400		2,100
	(Received cash for services			
	performed)			
30	Salaries and Wages Expense.....	726	2,800	
	Cash	101		2,800
	(Paid monthly salary)			

PROBLEM 2-2A (Continued)

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable	201	2,600	
	Cash	101		2,600
	(Paid Dazzle Company on account)			

(b)

Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,500	18,500
11		J1	1,000		19,500
20		J1	2,100		21,600
30		J1		2,800	18,800
30		J1		2,600	16,200

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,600		1,400

Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

PROBLEM 2-2A (Continued)**Owner's Capital** **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		20,000	20,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,100	5,100
20		J1		2,100	7,200

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,800		2,800

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,500		1,500

PROBLEM 2-2A (Continued)

(c)

VERA ERNST, DENTIST Trial Balance April 30, 2020

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$16,200	
Accounts Receivable.....	5,100	
Supplies	4,000	
Accounts Payable.....		\$ 1,400
Unearned Service Revenue.....		1,000
Owner's Capital		20,000
Service Revenue		7,200
Salaries and Wages Expense	2,800	
Rent Expense.....	1,500	
	<u>\$29,600</u>	<u>\$29,600</u>

$[(\$16,200 + \$5,100 + \$4,000 + \$2,800 + \$1,500) = (\$1,400 + \$1,000 + \$20,000 + \$7,200)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Sal. \& wages exp.} + \text{Rent exp.}) = (\text{Accts. pay.} + \text{Unearn. serv. rev.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO1, 2, 3, 4 BT: AP Difficulty: Easy TOT: 40 min. AACSB: Analytic AICPA FC: Measurement, Reporting

PROBLEM 2-3A

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	40,000	
	Owner's Capital		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	24,000	
	Cash		24,000
4.	Equipment.....	30,000	
	Cash		10,000
	Accounts Payable.....		20,000
5.	Prepaid Insurance	1,800	
	Cash		1,800
6.	Supplies	420	
	Cash		420
7.	Supplies	1,500	
	Accounts Payable.....		1,500
8.	Cash	8,000	
	Accounts Receivable	12,000	
	Service Revenue.....		20,000
9.	Accounts Payable	400	
	Cash		400
10.	Cash	3,000	
	Accounts Receivable		3,000
11.	Utilities Expense.....	380	
	Accounts Payable.....		380

PROBLEM 2-3A (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense.....	6,100	
	Cash		6,100

(b)

Cash	
(1) 40,000	
	(3) 24,000
	(4) 10,000
	(5) 1,800
	(6) 420
(8) 8,000	
	(9) 400
(10) 3,000	
	(12) 6,100
8,280	

Equipment	
(4) 30,000	
30,000	

Accounts Payable	
	(4) 20,000
	(7) 1,500
(9) 400	
	(11) 380
	21,480

Accounts Receivable	
(8) 12,000	
	(10) 3,000
9,000	

Owner's Capital	
	(1) 40,000
	40,000

Supplies	
(6) 420	
(7) 1,500	
1,920	

Service Revenue	
	(8) 20,000
	20,000

Prepaid Insurance	
(5) 1,800	
1,800	

Salaries and Wages Expense	
(12) 6,100	
6,100	

Prepaid Rent	
(3) 24,000	
24,000	

Utilities Expense	
(11) 380	
380	

PROBLEM 2-3A (Continued)

(c) **MAQUOKETA SERVICES**
Trial Balance
May 31, 2020

	<u>Debit</u>	<u>Credit</u>
Cash.....	\$ 8,280	
Accounts Receivable.....	9,000	
Supplies.....	1,920	
Prepaid Insurance.....	1,800	
Prepaid Rent.....	24,000	
Equipment.....	30,000	
Accounts Payable.....		\$21,480
Owner's Capital.....		40,000
Service Revenue.....		20,000
Salaries and Wages Expense.....	6,100	
Utilities Expense.....	380	
	<u>\$81,480</u>	<u>\$81,480</u>

$[(\$8,280 + \$9,000 + \$1,920 + \$1,800 + \$24,000 + \$30,000 + \$6,100 + \$380) = (\$21,480 + \$40,000 + \$20,000)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Prepd. ins.} + \text{Prepd. rent} + \text{Equip.} + \text{Sal. \& wages exp.} + \text{Util. exp.}) = (\text{Accts. pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Measurement, Reporting

PROBLEM 2-4A

SERGEI ASBRECHT CO. **Trial Balance** **June 30, 2020**

	<u>Debit</u>	<u>Credit</u>
Cash (\$3,140 – \$270)	\$ 2,870	
Accounts Receivable (\$2,812 + (\$850 - \$580)).....	3,082	
Supplies (\$1,200 – \$710)	490	
Equipment (\$2,600 + \$710)	3,310	
Accounts Payable (\$3,666 – \$306 – \$360).....		\$ 3,000
Unearned Service Revenue		1,100
Owner's Capital		8,000
Owner's Drawings (\$800 + \$600).....	1,400	
Service Revenue (\$2,480 + (\$980 - \$98))		3,362
Salaries and Wages Expense		
(\$3,200 + \$900 – \$600)	3,500	
Utilities Expense	810	
	<u>\$15,462</u>	<u>\$15,462</u>

$[((\$3,140 - \$270) + (\$2,812 + \$270) + (\$1,200 - \$710) + (\$2,600 + \$710) + (\$800 + \$600) + (\$3,200 + \$900 - \$600) + \$810) = ((\$3,666 - \$306 - \$360) + \$1,100 + \$8,000 + (\$2,480 + \$882))]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Supp.} + \text{Equip.} + \text{Owner's draws.} + \text{Sal. \& wages exp.} + \text{Util. exp.}) = (\text{Accts. pay.} + \text{Unearned serv. rev.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO4 BT: AN Difficulty: Moderate TOT: 40 min. AACSB: Analytic AICPA FC: Reporting

PROBLEM 2-5A

(a) & (c)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,300		5,800
10		J1		4,100	1,700
12		J1		900	800
20		J1	5,000		5,800
20		J1		2,000	3,800
31		J1		3,100	700
31		J1	450		1,150
31		J1	9,000		10,150

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	450		450

Land **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			24,000

Buildings **No. 145**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

PROBLEM 2-5A (Continued)**Accounts Payable****No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			7,000
2		J1		2,000	9,000
10		J1	4,100		4,900

Owner's Capital**No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			40,000

Service Revenue**No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,300	4,300
20		J1		5,000	9,300
31		J1		9,000	18,300

Rent Revenue**No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		900	900

Advertising Expense**No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	900		900

Salaries and Wages Expense**No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	3,100		3,100

PROBLEM 2-5A (Continued)

Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,500		3,500
20		J1	2,000		5,500

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 2	Rent Expense.....	729	3,500	
	Accounts Payable.....	201		2,000
	Cash	101		1,500
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	4,300	
	Service Revenue.....	400		4,300
	(Received cash for services performed)			
10	Accounts Payable (\$2,000 + \$2,100)	201	4,100	
	Cash	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense	610	900	
	Cash	101		900
	(Paid advertising expense)			
20	Cash	101	5,000	
	Service Revenue.....	400		5,000
	(Received cash for services performed)			
20	Rent Expense.....	729	2,000	
	Cash	101		2,000
	(Paid film rental)			

PROBLEM 2-5A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Salaries and Wages Expense	726	3,100	
	Cash	101		3,100
	(Paid salaries expense)			
31	Cash.....	101	450	
	Accounts Receivable.....	112	450	
	Rent Revenue	429		900
	(15% x \$6,000)			
	(Received cash and balance			
	on account for rent			
	revenue)			
31	Cash.....	101	9,000	
	Service Revenue.....	400		9,000
	(Received cash for services			
	performed)			

PROBLEM 2-5A (Continued)

(d)

STARR THEATER Trial Balance March 31, 2020

	Debit	Credit
Cash	\$10,150	
Accounts Receivable	450	
Land.....	24,000	
Buildings.....	10,000	
Equipment.....	10,000	
Accounts Payable.....		\$ 4,900
Owner's Capital		40,000
Service Revenue.....		18,300
Rent Revenue		900
Advertising Expense	900	
Salaries and Wages Expense	3,100	
Rent Expense.....	5,500	
	<u>\$64,100</u>	<u>\$64,100</u>

$[(\$10,150 + \$450 + \$24,000 + \$10,000 + \$10,000 + \$900 + \$3,100 + \$5,500) = (\$4,900 + \$40,000 + \$18,300 + \$900)]$

$[(\text{Cash} + \text{Accts. rec.} + \text{Land} + \text{Bldgs.} + \text{Equip.} + \text{Advert. exp.} + \text{Sal. \& wages exp.} + \text{Rent exp.}) = (\text{Accts. pay.} + \text{Owner's cap.} + \text{Serv. rev.} + \text{Rent rev.})]$

LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Measurement, Reporting

(a)		GENERAL JOURNAL		J1
		Account Titles and Explanation	Debit	Credit
Nov.	8	No entry required for cashing U.S. Savings Bonds—this is a personal transaction.		
	8	Cash	500	
		Owner's Capital		500
	11	Advertising Expense.....	65	
		Cash.....		65
	13	Supplies	125	
		Cash.....		125
	14	Equipment	300	
		Owner's Capital		300
	16	Cash	2,000	
		Notes Payable		2,000
	17	Equipment	900	
		Cash.....		900
	20	Cash	125	
		Service Revenue		125
	25	Cash	30	
		Unearned Service Revenue.....		30
	30	Prepaid Insurance	1,320	
		Cash.....		1,320

CC2 (Continued)

(b)

Cash					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

Supplies					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 13		J1	125		125

Prepaid Insurance					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 30		J1	1,320		1,320

Equipment					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 14		J1	300		300
17		J1	900		1,200

Unearned Service Revenue					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30

CC2 (Continued)**(b) (Continued)**

Notes Payable					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 16		J1		2,000	2,000

Owner's Capital					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 20		J1		125	125

Advertising Expense					
Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 11		J1	65		65

CC2 (Continued)

(c)

COOKIE CREATIONS Trial Balance November 30, 2019

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 245	
Supplies	125	
Prepaid Insurance	1,320	
Equipment.....	1,200	
Unearned Service Revenue		\$ 30
Notes Payable.....		2,000
Owner's Capital		800
Service Revenue.....		125
Advertising Expense	65	
	<u>\$2,955</u>	<u>\$2,955</u>

Note to instructors: Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

$[(\$245 + \$125 + \$1,320 + \$1,200 + \$65) = (\$30 + \$2,000 + \$800 + \$125)]$

$[(\text{Cash} + \text{Supp.} + \text{Prepd. ins.} + \text{Equip.} + \text{Advert. exp.}) = (\text{Unearn. serv. rev.} + \text{Notes pay.} + \text{Owner's cap.} + \text{Serv. rev.})]$

LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 60 min. AACSB: Analytic AICPA FC: Measurement, Reporting

(a) The stakeholders in this situation are:

- ▶ Ellynn Kole, assistant chief accountant.
- ▶ Users of the company's financial statements.
- ▶ The Doman Company.

(b) By adding \$1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by \$1,000. If the amount of \$1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Ellynn's action might not be considered unethical in the preparation of interim financial statements. However, if Ellynn is violating a company accounting policy by her action, then she is acting unethically.

(c) Ellynn's alternatives are:

1. Miss the deadline but find the error causing the imbalance.
2. Tell her supervisor of the imbalance and suffer the consequences.
3. Do as she did and locate the error later, making the adjustment in the next quarter.

LO N/A BT: E Difficulty: Moderate TOT: 15 min. AACSB: Ethics AICPA FC: Reporting AICPA PC: Communication, Professional Demeanor

The decision whether to fire Mr. Edmondson was the responsibility of Radio Shack's board of directors, which is elected by the company's shareholders to oversee management. The board initially announced its support for the CEO. After further investigation, the board encouraged Mr. Edmondson to resign, which he did. In contrast, when Bausch & Lomb's CEO offered to resign in a similar situation, the company's board refused to accept his resignation. Board members stated that they felt he was still the best person for the position.

Radio Shack says that although it did a reference check at the time of Mr. Edmondson's hiring, it did not check his educational credentials. Under the Sarbanes-Oxley Act, companies must now perform thorough background checks as part of a check of internal controls. The bottom line: Your résumé must be a fair and accurate depiction of your past.

LO N/A BT: E Difficulty: Moderate TOT: 20 min. AACSB: Ethics AICPA FC: Reporting AICPA PC: Communication, Professional Demeanor

(a)

Account	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Property, Plant, and Equipment	Debit	Credit	Debit
Cash and Cash Equivalents	Debit	Credit	Debit
Research and Development Expense	Debit	Credit	Debit
Inventories	Debit	Credit	Debit

- (b) 1. Cash is increased.
 2. Cash is decreased.
 3. Cash is decreased or Accounts Payable is increased.

- (c) 1. Cash is decreased.
 2. Cash is decreased or Notes or Mortgage Payable is increased.

LO1, 2 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

	<u>PepsiCo</u>		<u>Coca-Cola</u>	
(a)	1. Inventory:	debit	1. Accounts Receivable:	debit
	2. Property, Plant & Equipment:	debit	2. Cash and Cash Equivalents:	debit
	3. Accounts Payable:	credit	3. Cost of Goods Sold(expense):	debit
	Interest Expense:	debit	4. Sales (revenue)	credit

(b)

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
3. Increase in Property, Plant and Equipment: Cash is decreased (credited) and Accounts Payable or Notes payable is increased (credited).
4. Increase in Interest Expense: Cash is decreased (credited).

LO1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

	<u>Amazon</u>		<u>Wal-Mart</u>	
(a)	1. Interest Expense:	debit	1. Net Product Revenues:	credit
	2. Cash and Cash Equivalents:	debit	2. Inventories:	debit
	3. Accounts Payable:	credit	3. Cost of Sales:	debit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Increase in Interest Expense: Cash is decreased (credited).
3. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
4. Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).

LO1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

The answer is dependent upon the company selected by the student.

LO N/A BT: AP Difficulty: Easy TOT: 20 min. AACSB: Technology AICPA FC: Reporting, Technology

- (a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. They issue the report to the more than 100,000 shareholders who hold shares. None of the other teams are publicly owned, so they have no obligation to make their financial information available except to their small group of owners.**
- (b) At the time that the article was written the owners of the NFL teams and the players' labor union were negotiating a new contract. Knowing how profitable the NFL teams are would be useful information for the players to know so that they would have a better sense of how much the teams could afford to pay. The Packers are obviously a "small market" team; they are not necessarily representative of teams in general. However, the Packers' annual report does give the players some sense of the profitability of other teams.**
- (c) Since some of the cost of the stadium that the Packers play in is covered by taxpayers, the county and state government has an interest in the team's finances.**
- (d) The Packers' revenues increased during recent years. However, because the cost of players' salaries increased at a faster rate than revenues, the Packers' operating profit actually declined.**

LO3, 4 BT: S Difficulty: Moderate TOT: 25 min. AACSB: Technology, Communication AICPA FC: Reporting AICPA PC: Communication

Date: March 15, 2020

To: Accounting Instructor

From: Student

In the first transaction, bills totaling \$6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased \$6,000 and the revenue Service Revenue is increased \$6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable	6,000	
Service Revenue		6,000
(Billed customers for services performed)		

The \$6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, \$2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased \$2,000 and the asset Cash is decreased \$2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense	2,000	
Cash.....		2,000
(Salaries and wages paid)		

The \$2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

LO3, 4 BT: S Difficulty: Moderate TOT: 15 min. AACSB: Technology, Communication AICPA FC: Reporting
AICPA PC: Communication

- (a) **Students' responses to this question will vary. It is important that the steps that they identify be as specific as possible, and clearly directed toward achieving their goal. You may wish to ask a follow-up question asking them to explain how each step will assist them in achieving their goal.**
- (b) **There are many sites on the Internet that provide information about preparing a résumé. For example, you can find extensive resources at: <http://www.rileyguide.com/resprep.html>. Many schools also have resources in their placement centers or writing labs. The Writing Center at Rensselaer Polytechnic Institute provides useful, concise information on its website at <http://www.ccp.rpi.edu/resources/careers-and-graduate-school/resumes>. A wide variety of sample résumés can be found.**
- (c) **It is important to provide accurate and complete documentation of all relevant training, education, and employment experiences so as to provide assurance to the potential employer, and also to enable that employer to do follow-up work. If you say you have certain skills, such as computer skills, try to substantiate the claim with recognized proof of proficiency. Make sure that all addresses and phone numbers are accurate and up-to-date. Also, ensure that the people you use as references have a copy of your résumé and cover letter, and that they are informed that you are interviewing so they know to expect a call.**
- (d) **See the sample résumés provided in the websites above for various format options. You might also mention to students that there are electronic résumé templates available on the Internet.**

LO N/A BT: S Difficulty: Moderate TOT: 20 min. AACSB: Technology, Communication AICPA FC: Reporting AICPA PC: Communication

- (a) The existence of three different forms of certification would most likely create confusion for coffee purchasers. It would be difficult to know what aspects of the coffee growing process each certification covered. Similarly, if there were multiple groups that certified financial statements, each with different criteria, it would be difficult for financial statement users to know what each certification promised.
- (b) The Starbucks certification appears to be the most common in that area. It has the advantage of having a direct link to the Starbucks coffee market. Although it does not guarantee that Starbucks will buy its coffee, it is a requirement that must be met before Starbucks will buy somebody's coffee. Note that the article states that the Starbucks certification "incorporates elements of social responsibility and environmental leadership, but quality of coffee is the first criteria." The Smithsonian Bird Friendly is considered to have the strictest requirements and, as a result, appears to be the least common.
- (c) The certifications have multiple objectives including organic farming as a means to protect bird species, biodiversity and wildlife habitat. Some included requirements are to improve workers' living conditions, such as providing running water in worker housing, child labor regulations and education requirements. As mentioned above, the Starbucks certification has the potential financial benefit of making Starbucks a potential customer, which can stabilize farmers' earnings. Certifications can also be financially beneficial because companies can benefit from the positive public relations effects of either producing or buying coffee produced using sustainable practices.

LO N/A BT: E Difficulty: Moderate TOT: 30 min. AACSB: Technology, Communication AICPA FC: Reporting, Technology AICPA PC: Communication

Account	Financial Statement	Position in Financial Statement
a. Other operating income and expenses	Consolidated Income Statement	After profit from recurring operations and before operating profit
b. Cash and cash equivalents	Consolidated Balance Sheet	Current assets
c. Trade accounts payable	Consolidated Balance Sheet	Current liabilities
d. Cost of net financial debt	Consolidated Income Statement	After operating profit and before net profit before minority interests.

LO 5 BT: C Difficulty: Easy TOT: 10 min. AACSB: Diversity AICPA FC: Reporting AICPA BB: International Perspective