Solutions Manual for Financial Accounting 12th Weygandt

CC2 Continuing Case: Cookie Creations Solution

(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	
		Common Stock		500
	11	Advertising Expense	65	
		Cash		65
	13	Supplies	125	
		Cash		125
	14	Equipment	300	
		Common Stock		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

CC2 (Continued)

(b) (Continued)

Unearned Service Revenue

Date		Explanation	Ref.	Debits	Credits	Balance
Nov.	25		J1		30	30

Notes Payable

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

Common Stock

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, 2027

	Debit	Credit
Cash	$ 245	
Supplies	125	
Prepaid Insurance	1,320	
Equipment	1,200	
Unearned Service Revenue		$ 30
Notes Payable		2,000
Common Stock		800
Service Revenue		125
Advertising Expense	65	
	$2,955	$2,955

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

Chapter Two

Challenge Exercise 1 – Solution

	Account Debited				Account Credited			
No.	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
1	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit
2	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
3	Asset	Equipment	Increase	Debit	Liability	Notes Payable	Increase	Credit
4	Asset	Cash	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
5	Asset	Accounts Receivable	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
6	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
7	Stockholders' Equity	Printing Expense	Increase	Debit	Asset	Cash	Decrease	Debit
8	Stockholders' Equity	Advertising Expense	Increase	Debit	Liability	Accounts Payable	Increase	Credit
9	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
10	Asset	Supplies	Increase	Debit	Asset	Cash	Decrease	Debit
11	Asset	Cash	Increase	Debit	Liability	Unearned Service Revenue	Increase	Credit
12	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

Challenge Exercise 2 – Solution

General Journal J1

Item	Account Titles and Explanation	Ref.	Debit	Credit
1	Cash		5,000	
	Common Stock			5,000
2	Equipment		1,000	
	Cash			1,000
3	Equipment		500	
	Notes Payable			500
4	Cash....		400	
	Service Revenue			400
5	Accounts Receivable		900	
	Service Revenue			900
6	Cash...		900	
	Accounts Receivable			900
7	Printing Expense		150	
	....			
	Cash			150
8	Advertising Expense..		100	
	Accounts Payable			100

Challenge Exercise 2 – Solution (Continued)

9	Accounts Payable	100	
	Cash		100
10	Supplies	200	
	Cash		200
11	Cash...	300	
	Unearned Service Revenue		300
12	Dividends....	250	
	Cash...		250

Challenge Exercise 3 – Solution

1.

1	**Cash............. ....**	**25,000**	
	Common Stock		**25,000**
2	**No entry, not a transaction**		
3	**Office Furniture...**	**2,900**	
	Cash..		**700**
	Accounts Payable		**2,200**
6	**Cash...**	**600**	
	Accounts Receivable	**3,000**	
	Service Revenue		**3,600**
27	**Accounts Payable ....**	**900**	
	Cash		**900**
30	**Salaries and Wages Expense ....**	**2,300**	
	Cash		**2,300**
31	**Cash.... ....**	**1,200**	
	Accounts Receivable		**1,200**

2. The October 31 balance of Accounts Payable is $1,300 ($2,200 - $900), and would be reported in the liabilities section of the balance sheet.

3. The October 31 balance of Accounts Receivable is $1,800 ($3,000 - $1,200), and would be reported in the assets section of the balance sheet.

Challenge Exercise 4 – Solution

(a)

General Journal **J1**

Date		Account Titles and Explanation	Ref.	Debit	Credit
Sept.	1	Cash....	101	20,000	
		Common Stock	311		20,000
	5	Equipment	157	17,000	
		Cash	101		6,000
		Accounts Payable	201		11,000
	11	Cash....	101	1,000	
		Accounts Receivable	112	2,900	
		Service Revenue	400		3,900
	25	Accounts Payable	201	7,000	
		Cash	101		7,000
	29	Dividends	332	600	
		Cash	101		600
	30	Cash....	101	1,500	
		Accounts Receivable	112		1,500

(b)

Cash **No. 101**

Date		Explanation	Ref.	Debit	Credit	Balance
Sept.	1		J1	20,000		20,000
	5		J1		6,000	14,000
	11		J1	1,000		15,000
	25		J1		7,000	8,000
	29		J1		600	7,400
	30		J1	1,500		8,900

Accounts Receivable **No. 112**

Date		Explanation	Ref.	Debit	Credit	Balance
Sept.	11		J1	2,900		2,900
	30		J1		1,500	1,400

Challenge Exercise 4 – Solution (Continued)

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	17,000		17,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		11,000	11,000
25		J1	7,000		4,000

Common Stock **No. 311**

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

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 29		J1	600		600

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 11		J1		3,900	3,900

(c) Total assets would be $27,300 ($8,900 + $1,400 + $17,000) (cash + acc. rec. + equip).

(d) Total liabilities would be $4,000 (accounts payable).

Challenge Exercise 5 – Solution

SUN DELIVERY SERVICE
Trial Balance
July 31, 2027

	Debit	Credit
Cash**	$17,000	
Accounts Receivable	8,000	
Supplies	3,000	
Prepaid Insurance	2,000	
Equipment	50,000	
Notes Payable		$19,000
Accounts Payable		7,900
Salaries and Wages Payable		1,000
Unearned Service Revenue		2,500
Common Stock		42,000
Retained Earnings		5,000
Dividends	900	
Service Revenue		11,000
Salaries and Wages Expense*	5,000	
Maintenance and Repair Expense	1,100	
Gasoline and Oil Expense	800	
Insurance Expense	600	
	$88,400	$88,400

*$11,000 - $1,100 - $800 - $600 - Salaries and Wages Expense = $3,500; Salaries and Wages Expense = $5,000
**$88,400 (total credits) - $71,400 (total debits without cash) = $17,000 Cash

CHAPTER 2

The Recording Process

Learning Objectives

1. Explain how accounts, debits, and credits are used to record business transactions.
2. Indicate how a journal is used in the recording process.
3. Explain how a ledger and posting help in the recording process.
4. Prepare a trial balance.

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: Reporting IMA: Reporting

2. False. The terms debit and credit mean left side of an account and right side of an account, respectively.

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

3. Tom is incorrect. The double-entry system merely records the dual effect (at least two accounts are affected) 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: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

4. Olga 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: Reporting IMA: Reporting

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, common stock, and retained earnings are increased by credits and decreased by debits. Expenses and dividends are increased by debits and decreased by credits.

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

6. (a) Accounts Receivable—debit balance.
(b) Cash—debit balance.
(c) Dividends—debit balance.
(d) Accounts Payable—credit balance.
(e) Service Revenue—credit balance.
(f) Salaries and Wages Expense—debit balance.
(g) Common Stock—credit balance.

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

7. (a) Accounts Receivable—asset—debit balance.
(b) Accounts Payable—liability—credit balance.
(c) Equipment—asset—debit balance.
(d) Dividends—stockholders' equity—debit balance.
(e) Supplies—asset—debit balance.

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

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: Reporting IMA: Reporting

9. (1) Cash—both debit and credit entries.
(2) Accounts Receivable—both debit and credit entries.
(3) Dividends—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.

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

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: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

11. The advantages of using the journal in the recording process are:
(a) It discloses in one place the complete effects of a transaction.
(b) It provides a chronological record of all transactions.
(c) 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: Reporting IMA: Reporting

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: Reporting IMA: Reporting

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: Reporting IMA: Reporting

14. (a) No, business transaction 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: Reporting IMA: Reporting

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

LO 3 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

16. (a)

Cash	9,000	
Common Stock		9,000
(Issued shares of stock for cash)		

(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	7,800	
Service Revenue		7,800
(Received cash for services rendered)		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and stockholders' 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: C Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Reporting IMA: 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: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

19. No, Juan is not correct. The proper sequence is as follows:

(b) A business transaction occurs.
(c) Information is entered in the journal.
(a) Debits and credits are posted to the ledger.
(e) The trial balance is prepared.
(d) Financial statements are prepared.

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

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

LO 4 BT: AN Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

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

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

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.	Common Stock	Decrease	Increase	Credit
6.	Dividends	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.2

		Account Debited	Account Credited
June	1	Cash	Common Stock
	2	Equipment	Accounts Payable
	3	Rent Expense	Cash
	12	Accounts Receivable	Service Revenue

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

BRIEF EXERCISE 2.3

June	1	Cash	4,000	
		Common Stock		4,000
	2	Equipment	1,200	
		Accounts Payable		1,200
	3	Rent Expense	800	
		Cash		800
	12	Accounts Receivable	300	
		Service Revenue		300

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

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: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.5

		(a) Effect on Accounting Equation	(b) Debit-Credit Analysis
Aug.	**1**	**The asset Cash is increased; the stockholders' equity account Common Stock is increased.**	**Debits increase assets: debit Cash $5,000. Credits increase stockholders' equity: credit Common Stock $5,000.**
	4	**The asset Prepaid Insurance is increased; the asset Cash is decreased.**	**Debits increase assets: debit Prepaid Insurance $1,800. Credits decrease assets: credit Cash $1,800.**
	16	**The asset Cash is increased; the revenue Service Revenue is increased.**	**Debits increase assets: debit Cash $1,900. Credits increase revenues: credit Service Revenue $1,900.**
	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, 3 BT: C Difficulty: Moderate TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.6

Aug.	1	Cash	5,000	
		Common Stock		5,000
	4	Prepaid Insurance	1,800	
		Cash		1,800
	16	Cash	1,900	
		Service Revenue		1,900
	27	Salaries and Wages Expense	1,000	
		Cash		1,000

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

BRIEF EXERCISE 2.7

Cash

5/12	2,100		
5/15	3,200		
Bal.	5,300		

Service Revenue

		5/5	5,000
		5/15	3,200
		Bal.	8,200

Accounts Receivable

5/5	5,000	5/12	2,100
Bal.	2,900		

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.8

Cash

Date		Explanation	Ref.	Debit	Credit	Balance
May	12		J1	2,100		2,100
	15		J1	3,200		5,300

BRIEF EXERCISE 2.8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,000		5,000
12		J1		2,100	2,900

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,000	5,000
15		J1		3,200	8,200

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.9

FAVRE COMPANY
Trial Balance
June 30, 2027

	Debit	Credit
Cash	$ 5,200	
Accounts Receivable	3,000	
Equipment	17,000	
Accounts Payable		$ 7,000
Common Stock		20,000
Dividends	800	
Service Revenue		6,000
Salaries and Wages Expense	6,000	
Rent Expense	1,000	
	$33,000	$33,000

(Credit tot. = Accts. pay. + Com. stk. + Serv. rev.)

LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.10

ERIKA COMPANY
Trial Balance
December 31, 2027

	Debit	Credit
Cash	$16,800	
Prepaid Insurance	3,500	
Accounts Payable		$ 3,000
Unearned Service Revenue		4,200
Common Stock		13,000
Dividends	4,500	
Service Revenue		25,600
Salaries and Wages Expense	18,600	
Rent Expense	2,400	
	$45,800	$45,800

(Credit tot. = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

SOLUTIONS FOR DO IT! EXERCISES

DO IT! 2.1

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

Cash (debit balance)	**Notes Payable (credit balance)**
Supplies (debit balance)	**Accounts Payable (credit balance)**
Equipment (debit balance)	**Common Stock (credit balance)**

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

DO IT! 2.2

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

		Debit	Credit
1.	**Cash**	**8,000**	
	Common Stock		**8,000**
2.	**Supplies**	**1,600**	
	Cash		**300**
	Accounts Payable		**1,300**

3. No entry because no transaction has occurred.

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

DO IT! 2.3

Cash

4/1	**1,600**	**4/16**	**600**
4/3	**3,900**	**4/20**	**500**
4/30	**4,400**		

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

DO IT! 2.4

CHILLIN' COMPANY
Trial Balance
December 31, 2027

	Debit	Credit
Cash	$ 6,000	
Accounts Receivable	8,000	
Supplies	5,000	
Equipment	76,000	
Notes Payable		$ 20,000
Accounts Payable		9,000
Salaries and Wages Payable		3,000
Common Stock		25,000
Dividends	8,000	
Service Revenue		86,000
Rent Expense	2,000	
Salaries and Wages Expense	38,000	
	$143,000	$143,000

LO 4 BT: AP Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

SOLUTIONS TO EXERCISES

EXERCISE 2.1

1. **False. An account is an accounting record of a specific asset, liability, *or stockholders' equity item*.**

2. **False. An account shows *increases and decreases* in the item it relates to.**

3. **False. Each asset, liability, and stockholders' 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: 3 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.2

Transaction	Account Debited (1) Basic Type	Account Debited (2) Specific Account	Account Debited (3) Effect	Account Credited (1) Basic Type	Account Credited (2) Specific Account	Account Credited (3) Effect
Apr. 2	Stockholders' equity	Rent Expense	Increase	Assets	Cash	Decrease
Apr. 3	Assets	Accounts Receivable	Increase	Stockholders' equity	Service Revenue	Increase
Apr. 5	Assets	Cash	Increase	Stockholders' equity	Service Revenue	Increase
Apr. 6	Assets	Equipment	Increase	Liabilities	Accounts Payable	Increase
				Assets	Cash	Decrease
Apr. 12	Assets	Cash	Increase	Assets	Accounts Receivable	Decrease
Apr. 15	Stockholders' equity	Dividends	Increase	Assets	Cash	Decrease
Apr. 16	Assets	Supplies	Increase	Liabilities	Accounts Payable	Increase
Apr. 19	Stockholders' equity	Maintenance and Repairs Expense	Increase	Assets	Cash	Decrease

LO 2 BT: C Difficulty: Medium TOT: 12 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.3

Account	(a) Normal Balance Debit or Credit	(b) Balance Sheet or Income Statement
Accounts Payable	**Credit**	**Balance sheet**
Accounts Receivable	**Debit**	**Balance sheet**
Common Stock	**Credit**	**Balance sheet**
Depreciation Expense	**Debit**	**Income statement**
Interest Expense	**Debit**	**Income statement**
Interest Income	**Credit**	**Income statement**
Inventories	**Debit**	**Balance sheet**
Prepaid Expenses	**Debit**	**Balance sheet**
Property and Equipment	**Debit**	**Balance sheet**
Revenues	**Credit**	**Income statement**

LO 2 BT: K Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.4

Account	a. Type of Account	b. Normal Balance	c. Financial Statement
Accounts receivable	Asset	Debit	Balance sheet
Bank loans payable	Liability	Credit	Balance sheet
Buildings	Asset	Debit	Balance sheet
Cash	Asset	Debit	Balance sheet
Depreciation expense	Stockholders' equity	Debit	Income statement
Dividends	Stockholders' equity	Debit	Retained earnings statement
Equipment	Asset	Debit	Balance sheet
Income taxes payable	Liability	Credit	Balance sheet
Income tax expense	Stockholders' equity	Debit	Income statement
Interest expense	Stockholders' equity	Debit	Income statement
Interest revenue	Stockholders' equity	Credit	Income statement
Inventories	Asset	Debit	Balance sheet
Service revenue	Stockholders' equity	Credit	Income statement

LO 2 BT: K Difficulty: Medium Time: 7 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.5

	Account Debited				Account Credited			
Transaction	(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	Stockholders' Equity	Common Stock	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	Stockholders' Equity	Service Revenue	Increase	Credit
16	Stockholders' 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	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 10 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.6

General Journal **J1**

Date		Account Titles and Explanation	Ref.	Debit	Credit
Jan.	2	Cash		15,000	
		Common Stock			15,000
	3	Equipment		8,200	
		Cash			8,200
	9	Supplies		500	
		Accounts Payable			500
	11	Accounts Receivable		1,800	
		Service Revenue			1,800
	16	Advertising Expense		200	
		Cash			200
	20	Cash		780	
		Accounts Receivable			780
	23	Accounts Payable		300	
		Cash			300
	28	Dividends		500	
		Cash			500

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.7

Oct.	1	Debits increase assets: debit Cash	$20,000
		Credits increase stockholders' equity:	
		credit Common Stock	$20,000
	2	No transaction.	
	3	Debits increase assets: debit Equipment	$2,300
		Credits increase liabilities: credit Accounts Payable	$2,300
	6	Debits increase assets: debit Accounts Receivable	$3,600
		Credits increase revenues: credit Service Revenue	$3,600
	27	Debits decrease liabilities: debit Accounts Payable	$850
		Credits decrease assets: credit Cash	$850
	30	Debits increase expenses: debit Salaries and	
		Wages Expense	$2,500
		Credits decrease assets: credit Cash	$2,500

LO 3 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.8

General Journal

Date		Account Titles	Ref.	Debit	Credit
Oct.	1	Cash		20,000	
		Common Stock..............................			20,000
	2	No entry			
	3	Equipment		2,300	
		Accounts Payable..........................			2,300
	6	Accounts Receivable...............................		3,600	
		Service Revenue............................			3,600
	27	Accounts Payable...................................		850	
		Cash			850
	30	Salaries and Wages Expense		2,500	
		Cash			2,500

LO 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.9

(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	2,500	
	Cash		2,500
3.	Supplies	450	
	Accounts Payable		450

LO 1, 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.10

(a) **Assets = Liabilities + Stockholders' Equity**

	Assets		Stockholders' Equity
1.	+	+	(Issue stock)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Dividends)

(b)

1.	Cash	5,000	
	Common Stock		5,000
2.	Rent Expense	950	
	Cash		950
3.	Accounts Receivable	4,700	
	Service Revenue		4,700
4.	Dividends	600	
	Cash		600

LO 1, 2 BT: AP Difficulty: Easy TOT: 8min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.11

General Journal

Date		Account Titles	Debit	Credit
March	1	Rent Expense	1,200	
		Cash		1,200
	3	Accounts Receivable	140	
		Service Revenue		140
	5	Cash	75	
		Service Revenue		75
	8	Equipment	600	
		Cash		80
		Accounts Payable		520
	12	Cash	140	
		Accounts Receivable		140
	14	Salaries and Wages Expense	525	
		Cash		525
	22	Utilities Expense	72	
		Cash		72
	24	Cash	1,500	
		Notes Payable		1,500
	27	Maintenance and Repairs Expense	220	
		Cash		220
	28	Accounts Payable	520	
		Cash		520
	30	Prepaid Insurance	1,800	
		Cash		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.12

General Journal

Date		Account Titles	Debit	Credit
Mar.	**2**	**Cash**	**11,000**	
		Common Stock		**11,000**
	4	**Equipment**	**10,000**	
		Cash		**1,000**
		Accounts Payable		**9,000**
	10	**Accounts Receivable**	**2,300**	
		Service Revenue		**2,300**
	13	**Advertising Expense**	**225**	
		Cash		**225**
	25	**Cash**	**1,000**	
		Accounts Receivable		**1,000**
	27	**Accounts Payable**	**9,000**	
		Cash		**9,000**
	30	**Cash**	**700**	
		Unearned Service Revenue		**700**
	31	**Dividends**	**300**	
		Cash		**300**

LO 2 BT: AP Difficulty: Medium TOT: 5 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.13

General Journal

Trans.	Account Titles	Debit	Credit
1.	Equipment	8,000	
	Accounts Payable		8,000
2.	Rent Expense	1,600	
	Cash		1,600
3.	Accounts Receivable	3,800	
	Service Revenue		3,800
4.	Utilities Expense	300	
	Cash		300
5.	Cash	20,000	
	Notes Payable		20,000
6.	Accounts Payable	8,000	
	Cash		8,000
7.	Supplies	500	
	Cash		500
8.	Cash	3,000	
	Accounts Receivable		3,000
9.	Dividends	500	
	Cash		500
10.	Income Tax Expense	250	
	Cash		250

LO 2 BT: AP Difficulty: Medium Time: 15 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.14

General Journal

Date		Account Titles	Debit	Credit
May	4	Accounts Payable	700	
		Cash		700
	7	Accounts Receivable	6,800	
		Service Revenue		6,800
	8	Supplies	850	
		Accounts Payable		850
	9	Equipment	1,000	
		Cash		1,000
	17	Salaries and Wages Expense	530	
		Cash		530
	22	Maintenance and Repairs Expense	900	
		Accounts Payable		900
	29	Insurance Expense	200	
		Cash		200

LO 2 BT: AP Difficulty: Medium TOT: 8 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.15

Trans.	Account Titles	Debit	Credit
1.	Cash	24,000	
	Common Stock		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.	Dividends	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: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.16

1. **False. The general ledger contains all the asset, liability, *and stockholders' equity* accounts.**
2. **True.**
3. **False. The accounts in the general ledger are arranged in *financial statement order:* first the assets, then the liabilities, common stock, retained earnings, dividends, revenues, and expenses.**
4. **True.**
5. **False. The *general journal* is the book of original entry.**

LO 3 BT: C Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.17

(a)

Cash

Aug. 1	6,000	Aug. 12	800
10	2,700		
31	880		
Bal.	8,780		

Notes Payable

		Aug. 12	4,200

Common Stock

		Aug. 1	6,000

Accounts Receivable

Aug. 25	1,600	Aug. 31	880
Bal.	720		

Equipment

Aug. 12	5,000		

Service Revenue

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

EXERCISE 2.17 (Continued)

(b)

KATI TILLMAN, INVESTMENT BROKER
Trial Balance
August 31, 2027

	Debit	Credit
Cash	$ 8,780	
Accounts Receivable	720	
Equipment	5,000	
Notes Payable		$ 4,200
Common Stock		6,000
Service Revenue		4,300
(Tot. debits = Cash + Accts. rec. + Equip.)	$14,500	$14,500

LO 3, 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.18

(a)

General Journal

Date	Account Titles and Explanations	Ref.	Debit	Credit
Apr. 1	Cash		10,000	
	Common Stock			10,000
	(Issued common stock for cash)			
12	Cash		900	
	Service Revenue			900
	(Received cash for services provided)			
15	Salaries and Wages Expense		720	
	Cash			720
	(Paid salaries to date)			
25	Accounts Payable		1,500	
	Cash			1,500
	(Paid creditors on account)			
29	Cash		400	
	Accounts Receivable			400
	(Received cash in payment of account)			
30	Cash		1,000	
	Unearned Service Revenue			1,000
	(Received cash for future services)			

EXERCISE 2.18 (Continued)

(b)

SANTANA LANDSCAPING COMPANY
Trial Balance
April 30, 2027

	Debit	Credit
Cash	$10,080	
Accounts Receivable	2,800	
Supplies	1,800	
Accounts Payable		$ 300
Unearned Service Revenue		1,000
Common Stock		10,000
Service Revenue		4,100
Salaries and Wages Expense	720	
	$15,400	$15,400

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.19

(a)

Date	Account	Debit	Credit
Oct. 1	Cash	5,000	
	Common Stock		5,000
	(Issued common stock for cash)		
10	Cash	730	
	Service Revenue		730
	(Received cash for services provided)		
10	Cash	3,000	
	Notes Payable		3,000
	(Obtained loan from bank)		
20	Cash	500	
	Accounts Receivable		500
	(Received cash in payment of account)		
20	Accounts Receivable	910	
	Service Revenue		910
	(Billed clients for services provided)		

EXERCISE 2.19 (Continued)

(b)

HIGGS CO.
Trial Balance
October 31, 2027

	Debit	Credit
Cash	$ 8,250	
Accounts Receivable	1,210	
Supplies	400	
Equipment	2,000	
Notes Payable		$ 3,000
Accounts Payable		500
Common Stock		7,000
Dividends	300	
Service Revenue		2,440
Salaries and Wages Expense	500	
Rent Expense	280	
	$12,940	$12,940

(Tot. credits = Notes pay. + Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.20

(a)	Oct.	1	Cash	7,000	
			Common Stock		7,000
			(Issued stock for cash)		
		10	Cash	980	
			Service Revenue		980
			(Received cash for services provided)		
		10	Cash	8,000	
			Notes Payable		8,000
			(Issued note payable for cash)		
		20	Cash	700	
			Accounts Receivable		700
			(Received cash in payment of account)		
		20	Accounts Receivable	920	
			Service Revenue		920
			(Billed clients for services provided)		

EXERCISE 2.20 (Continued)

(b)

KRISCOE CO.
Trial Balance
October 31, 2027

	Debit	Credit
Cash	$15,730	
Accounts Receivable	1,020	
Supplies	220	
Equipment	3,000	
Notes Payable		$ 8,000
Accounts Payable		1,500
Common Stock		9,000
Dividends	300	
Service Revenue		2,700
Salaries and Wages Expense	500	
Supplies Expense	180	
Rent Expense	250	
	$21,200	$21,200

[(Cash + Accts. rec. + Supp. + Equip. + Div. + Sal. & wages exp. + Supp. exp. + Rent exp.) = (Notes pay. + Accts. pay. + Common stk. + Serv. rev.)]

[($15,730 + $1,020 + $220 + $3,000 + $300 + $500 + $180 + $250) = ($8,000 + $1,500 + $9,000 + $2,700)]

LO 2, 4 BT: AN Difficulty: Medium TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.21

(a) **General Journal** **J1**

Date		Account Titles	Ref.	Debit	Credit
Sept.	1	Cash	101	10,000	
		Common Stock	311		10,000
	5	Equipment	157	12,000	
		Cash	101		4,000
		Accounts Payable	201		8,000
	25	Accounts Payable	201	2,400	
		Cash	101		2,400
	30	Dividends	332	500	
		Cash	101		500

EXERCISE 2.21 (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		2,400	3,600
30		J1		500	3,100

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	12,000		12,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		8,000	8,000
25		J1	2,400		5,600

Common Stock **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		10,000	10,000

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	500		500

LO 2, 3 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.22

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$450	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	300	Credit
5.	Yes	—	—
6.	No	27	Debit

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.23

TIME IS MONEY DELIVERY SERVICE
Trial Balance
July 31, 2027

	Debit	Credit
Cash ($90,907 – Debit total without Cash $69,340)	$21,567	
Accounts Receivable	10,642	
Prepaid Insurance	1,968	
Equipment	49,360	
Notes Payable		$26,450
Accounts Payable		8,396
Salaries and Wages Payable		815
Common Stock		40,000
Retained Earnings		4,636
Dividends	700	
Service Revenue		10,610
Salaries and Wages Expense	4,428	
Maintenance and Repairs Expense	961	
Gasoline Expense	758	
Utilities Expense	523	
	$90,907	$90,907

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

EXERCISE 2.24

(a)

Date		Account Titles	Debit	Credit
Oct.	1	Cash	66,000	
		Common Stock		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 2.24 (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

Common Stock

		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 2.24 (Continued)

(c)

BEYERS CORPORATION
Trial Balance
October 31, 2027

	Debit	Credit
Cash	$43,452	
Supplies	410	
Equipment	18,000	
Accounts Payable		$ 800
Common Stock		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	
	$70,000	$70,000

(Tot. credits = Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Hard TOT: 20 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.25

7 **a.** **A list of accounts and their balances at a given time.**

2 **b.** **An accounting record in which transactions are initially recorded in chronological order.**

3 **c.** **A record of all accounts maintained by a company and their amounts.**

6 **d.** **An individual accounting record of increases and decreases in specific asset, liability, stockholders' equity, revenue, or expense items.**

4 **e.** **A list of the names of a company's accounts.**

1 **f.** **The right side of an account.**

5 **g.** **The procedure of transferring journal entry amounts to the ledger accounts.**

9 **h.** **The left side of an account.**

8 **i.** **Events that require recording in the financial statements because they affect assets, liabilities, or stockholders' equity.**

LO 1, 2, 3, 4 BT: K Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

SOLUTIONS TO PROBLEMS

PROBLEM 2.1

J1

Date		Account Titles and Explanations	Ref.	Debit	Credit
Apr.	1	Cash		50,000	
		Common Stock			50,000
		(Issued common stock for cash)			
	4	Land..		34,000	
		Cash			34,000
		(Purchased land for cash)			
	8	Advertising Expense		1,800	
		Accounts Payable			1,800
		(Incurred advertising expense on account)			
	11	Salaries and Wages Expense......................		1,500	
		Cash			1,500
		(Paid salaries)			
	12	No entry—Not a transaction.			
	13	Prepaid Insurance......................................		2,400	
		Cash			2,400
		(Paid for one-year insurance policy)			
	17	Dividends...		1,400	
		Cash			1,400
		(Declared and paid cash dividends)			
	20	Cash		5,700	
		Service Revenue			5,700
		(Received cash for services provided)			

PROBLEM 2.1 (Continued)

Date		Account Titles and Explanations	Ref.	Debit	Credit
Apr.	25	Cash		3,000	
		Unearned Service Revenue			3,000
		(Received cash for future services)			
	30	Cash		8,900	
		Service Revenue..................................			8,900
		(Received cash for services provided)			
	30	Accounts Payable		840	
		Cash			840
		(Paid creditor on account)			

LO 2 BT: AP Difficulty: Easy TOT: 25 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.2

(a)

J1

Date	Account Titles and Explanations	Ref.	Debit	Credit
May 1	Cash	101	20,000	
	Common Stock	311		20,000
	(Issued common stock for cash)			
2	No entry—not a transaction.			
3	Supplies	126	1,500	
	Accounts Payable	201		1,500
	(Purchased supplies on account)			
7	Rent Expense	729	900	
	Cash	101		900
	(Paid office rent)			
11	Accounts Receivable	112	2,800	
	Service Revenue	400		2,800
	(Billed client for services provided)			
12	Cash	101	3,500	
	Unearned Service Revenue	209		3,500
	(Received cash for future services)			
17	Cash	101	1,200	
	Service Revenue	400		1,200
	(Received cash for services provided)			
31	Salaries and Wages Expense	726	2,000	
	Cash	101		2,000
	(Paid salaries)			

PROBLEM 2.2 (Continued)

Date	Account Titles and Explanations	Ref.	Debit	Credit
May 31	Accounts Payable ($1,500 × 40%)	201	600	
	Cash	101		600
	(Paid creditor on account)			

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1	2,800		2,800

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1	1,500		1,500

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1		1,500	1,500
31		J1	600		900

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1		3,500	3,500

PROBLEM 2.2 (Continued)

Common Stock **No. 311**

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

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1		2,800	2,800
17		J1		1,200	4,000

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		J1	2,000		2,000

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
May 7		J1	900		900

(c)

JULIA DUMARS, INC.
Trial Balance
May 31, 2027

	Debit	Credit
Cash	$21,200	
Accounts Receivable	2,800	
Supplies	1,500	
Accounts Payable		$ 900
Unearned Service Revenue		3,500
Common Stock		20,000
Service Revenue		4,000
Salaries and Wages Expense	2,000	
Rent Expense	900	
	$28,400	$28,400

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 2,3,4 BT: AP Difficulty: Easy TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.3

(a) & (c)

Cash

Bal.	8,000		
		(1)	1,000
		(3)	1,700
(4)	13,000		
		(5)	14,400
(6)	5,000		
		(7)	3,000
		(8)	1,600
Bal.	4,300		

Accounts Receivable

Bal.	15,000		
		(4)	13,000
(6)	9,000		
Bal.	11,000		

Supplies

Bal.	11,000		
(2)	3,600		
Bal.	14,600		

Prepaid Rent

Bal.	3,000		
Bal.	3,000		

Equipment

Bal.	21,000		
Bal.	21,000		

Accounts Payable

		Bal.	17,000
		(2)	3,600
(5)	14,400		
		Bal.	6,200

Common Stock

		Bal.	30,000
		Bal.	30,000

Retained Earnings

		Bal.	11,000
		Bal.	11,000

Dividends

(8)	1,600		
Bal.	1,600		

Service Revenue

		(6)	14,000
		Bal.	14,000

Advertising Expense

(1)	1,000		
Bal.	1,000		

Miscellaneous Expense

(3)	1,700		
Bal.	1,700		

Salaries and Wages Expense

(7)	3,000		
Bal.	3,000		

PROBLEM 2.3 (Continued)

(b)

Trans.	Account Titles	Debit	Credit
1.	Advertising Expense	1,000	
	Cash		1,000
2.	Supplies	3,600	
	Accounts Payable		3,600
3.	Miscellaneous Expense	1,700	
	Cash		1,700
4.	Cash	13,000	
	Accounts Receivable		13,000
5.	Accounts Payable	14,400	
	Cash		14,400
6.	Cash	5,000	
	Accounts Receivable	9,000	
	Service Revenue		14,000
7.	Salaries and Wages Expense	3,000	
	Cash		3,000
8.	Dividends	1,600	
	Cash		1,600

PROBLEM 2.3 (Continued)

(d)

TABLETTE REPAIR SERVICE, INC.
Trial Balance
January 31, 2027

	Debit	Credit
Cash	$ 4,300	
Accounts Receivable	11,000	
Supplies	14,600	
Prepaid Rent	3,000	
Equipment	21,000	
Accounts Payable		$ 6,200
Common Stock		30,000
Retained Earnings		11,000
Dividends	1,600	
Service Revenue		14,000
Advertising Expense	1,000	
Miscellaneous Expense	1,700	
Salaries and Wages Expense	3,000	
	$61,200	$61,200

(Tot. credits = Accts. pay. + Com. stk. + Ret. earn. + Serv. rev.)

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

PROBLEM 2.4

DOMINIC COMPANY
Trial Balance
May 31, 2027

	Debit	Credit
Cash ($3,850 + $520 – $405)	$ 3,965	
Accounts Receivable ($2,570 – $420)	2,150	
Prepaid Insurance ($700 + $100)	800	
Supplies ($0 + $520)	520	
Equipment ($12,000 – $520)	11,480	
Accounts Payable ($4,500 – $100 + $520 – $420)		$ 4,500
Unearned Service Revenue		560
Common Stock ($11,700 + $1,000)		12,700
Dividends ($0 + $1,000)	1,000	
Service Revenue		8,960
Salaries and Wages Expense ($4,200 + $200)	4,400	
Advertising Expense ($1,100 + $405)	1,505	
Utilities Expense ($800 + $100)	900	
	$26,720	$26,720

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

(Tot. credits = $4,500 + $560 + $12,700 + $8,960)

LO 4 BT: AN Difficulty: Moderate TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.5

(a) & (c)

Cash **No. 101**

Date		Explanation	Ref.	Debit	Credit	Balance
Apr.	1	Balance	✓			6,000
	2		J1		800	5,200
	9		J1	1,800		7,000
	10		J1		3,000	4,000
	12		J1		320	3,680
	25		J1	5,200		8,880
	29		J1		1,600	7,280
	30		J1	90		7,370
	30		J1		1,000	6,370

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	90		90

Prepaid Rent **No. 136**

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

Land **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			12,000

Buildings **No. 145**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			8,000

PROBLEM 2.5 (Continued)

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,000
10		J1	1,000		1,000
20		J1		950	1,950

Mortgage Payable **No. 275**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			10,000
10		J1	2,000		8,000

Common Stock **No. 311**

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

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 9		J1		1,800	1,800
25		J1		5,200	7,000

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1		180	180

PROBLEM 2.5 (Continued)

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 12		J1	320		320

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 29		J1	1,600		1,600

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	800		800
20		J1	950		1,750

(b)

J1

Date	Account Titles	Ref.	Debit	Credit
Apr. 2	Rent Expense...	729	800	
	Cash	101		800
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash	101	1,800	
	Service Revenue..............................	400		1,800
	(Received cash for services provided)			
10	Mortgage Payable.....................................	275	2,000	
	Accounts Payable......................................	201	1,000	
	Cash	101		3,000
	(Made payments on mortgage and accounts payable)			

PROBLEM 2.5 (Continued)

Date	Account Titles	Ref.	Debit	Credit
Apr. 11	No entry—not a transaction.			
12	Advertising Expense	610	320	
	Cash	101		320
	(Paid advertising expenses)			
20	Rent Expense	729	950	
	Accounts Payable	201		950
	(Rented film on account)			
25	Cash	101	5,200	
	Service Revenue	400		5,200
	(Received cash for services provided)			
29	Salaries and Wages Expense	726	1,600	
	Cash	101		1,600
	(Paid salaries expense)			
30	Cash	101	90	
	Accounts Receivable	112	90	
	Rent Revenue	429		180
	(18% × $1,000)			
	(Received cash and balance on account for concession revenue)			
30	Prepaid Rent	136	1,000	
	Cash	101		1,000
	(Paid cash for future film rentals)			

PROBLEM 2.5 (Continued)

(d)

PALACE THEATER
Trial Balance
April 30, 2027

	Debit	Credit
Cash	$ 6,370	
Accounts Receivable	90	
Prepaid Rent	1,000	
Land	12,000	
Buildings	8,000	
Equipment	6,000	
Accounts Payable		$ 1,950
Mortgage Payable		8,000
Common Stock		20,000
Service Revenue		7,000
Rent Revenue		180
Advertising Expense	320	
Salaries and Wages Expense	1,600	
Rent Expense	1,750	
	$37,130	$37,130

(Tot. credits = Accts. pay. + Mortg. pay. + Com. stk. + Serv. rev. + Rent rev.)

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

CT2.1 FINANCIAL REPORTING PROBLEM

(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 or Accounts Payable is increased.**
2. **Cash is decreased or Notes or Mortgage Payable is increased.**

LO 1 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT2.2 COMPARATIVE ANALYSIS PROBLEM

(a)

PepsiCo			**Coca-Cola**		
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**
4.	**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) or Accounts Payable or Notes payable is increased (credited).**

4. **Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).**

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT2.3 COMPARATIVE ANALYSIS PROBLEM

		Amazon			Walmart	
(a)	1.	Interest Expense:	debit	1.	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) or Interest Payable is increased (credited).**
3. **Decrease in Salaries and Wages Payable: Cash is decreased (credited).**
4. **Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).**

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT2.4	REAL–WORLD FOCUS

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

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication IMA: Information Management

CT2.5 REAL–WORLD FOCUS

(a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. It issues the report to 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 team is obviously a "small market" team; it is 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 governments have 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.

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication IMA: Information Management

CT2.6 DECISION-MAKING ACROSS THE ORGANIZATION

(a)

May 1	Correct		
5	Correct		
7	Cash	300	
	Unearned Service Revenue		300
14	Equipment	800	
	Cash		800
15	Dividends	400	
	Cash		400
20	Cash	184	
	Service Revenue		184
30	Correct		
31	Supplies	1,700	
	Accounts Payable		1,700

(b) The errors in the entries of May 14 and 20 would prevent the trial balance from balancing.

(c)

Net income as reported		$4,500
Add:	5/15, Salaries expense (Dividends paid)	400
		4,900
Less:	5/7, Boarding revenue unearned	300
Correct net income		$4,600

(d)

Cash as reported			$12,475
Add:	5/20, Transposition error	$ 36	
	5/31, Purchase on account	1,700	1,736
			$14,211

LO 2, 4 BT: AN Difficulty: Hard TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

CT2.7 COMMUNICATION ACTIVITY

From: **Student's email address**

To: **Instructor's email address**

Subject: **Explaining the Steps in the Recording Process**

Hi Instructor's name:

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.

Student's name

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic, Communication AICPA FC: Reporting AICPA PC: Communication IMA: Reporting

CT2.8	ETHICS CASE

(a) The stakeholders in this situation are:

- **Meredith Ward, assistant chief accountant.**
- **Users of the company's financial statements.**
- **The Frazier 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), Meredith's action might <u>not</u> be considered unethical in the preparation of interim financial statements. However, if Meredith is violating a company accounting policy by her action, then she is acting unethically.

(c) Meredith'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 4 BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications

CT2.9 ETHICS CASE

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 A/N BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications

CT2.10 ALL ABOUT YOU

(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: myperfect resume.com and resume-now.com/FreeResume. Many schools also have resources in their placement centers or writing labs. A wide variety of sample résumés can be found. For example, Monster.com provides samples for a wide variety of professions and situations.

(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: E Difficulty: Moderate TOT: 45 min. AACSB: Communication, Reflective Thinking AICPA PC: Communication IMA: Information Management

CT2.11 CONSIDERING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING

(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 relations effects of either producing or buying coffee produced using sustainable practices.

LO N/A BT: S Difficulty: Moderate TOT: 40 min. AACSB: Communication, Technology AICPA PC: Communication IMA: Information Management

