



Chapter 2

Recording Business Transactions

Quick Check

Answers:

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

Starters

(10 min.) S2-1

Req. 1

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

(5 min.) S2-2

Req. 1

Debits are *increases* for the following types of accounts:

- Assets
- Owners' drawings
- Expenses

(because these accounts are on the debit side of the accounting equation)

Debits are *decreases* for these types of accounts:

- Liabilities
- Owners' capital
- Revenues

(because these accounts are on the credit side of the accounting equation)

Req. 2

Credits are *increases* for these types of accounts:

- Liabilities
- Owners' capital
- Revenues

(because these accounts are on the credit side of the accounting equation)

Credits are *decreases* for these types of accounts:

- Assets
- Owners' drawings
- Expenses

(because these accounts are on the debit side of the accounting equation)

(5 min.) S2-3

Req. 1

Normal Balance Debit or Credit	
Assets	Debit
Liabilities	Credit
Owners' equity overall	Credit
Capital	Credit
Drawings	Debit
Revenues	Credit
Expenses	Debit

(5 min.) S2-4

Req. 1

Step 1: Identify each account affected and its type.

Step 2: Determine whether each account is increased or decreased.

Step 3: Record the transaction in the journal.

	Account	Type	Increase/ Decrease
5	Accounts receivable	Asset	Increase
	Service revenue	Owners' equity	Increase
28	Cash	Asset	Increase
	Accounts receivable	Asset	Decrease

(continued) S2-4

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	5	Accounts receivable		1 000	
		Service revenue			1 000
		Performed service on account.			
	28	Cash		600	
		Accounts receivable			600
		Received cash on account.			

(10 min.) S2-5

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	1	Cash		29 000	
		Brown, capital			29 000
		Owner investment			
	2	Medical supplies		14 000	
		Accounts payable			14 000
		Purchased supplies on account.			
	2	Rent expense		2 600	
		Cash			2 600
		Paid office rent.			
	3	Accounts receivable		8 000	
		Service revenue			8 000
		Performed service on account.			

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jan	22	Accounts receivable		8 000	
		Service revenue			8 000
		Performed service on account.			
	30	Cash		7 000	
		Accounts receivable			7 000
		Received cash on account.			
	31	Electricity and gas expense		180	
		Accounts payable			180
		Received electricity and gas bill.			
	31	Salary expense		2 000	
		Cash			2 000
		Paid salary expense.			
	31	Advertising expense		700	
		Cash			700
		Paid advertising expense.			

(10-15 min.) S2-7

Req. 1

Journal				
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT CREDIT
1.		Supplies		3 400
		Accounts payable		3 400
		Purchased supplies on account.		
2.		Accounts payable		1 700
		Cash (\$3 400 × ½)		1 700
		Paid on account.		

Req. 2

Accounts payable			
2.	1 700	1.	3 400
	Bal		1 700

(10-15 min.) S2-8

Req. 1

Journal				
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT CREDIT
		Accounts receivable		16 000
		Service revenue		16 000
		Performed service on account.		
		Cash		9 600
		Accounts receivable		9 600
		Received cash on account.		

Req. 2

Cash		Accounts receivable		Service revenue	
	9 600	16 000	9 600		16 000
Bal	9 600	Bal	6 400	Bal	16 000

Req. 3

- a. Walja Creek earned: \$16 000 as Service revenue
- b. Cash \$9 600
 Accounts receivable 6 400
 Total assets \$16 000

(10-15 min.) S2-9**Req. 1**

Cash	
	29 000
Bal	26 400

Accounts receivable	
	8 000
Bal	8 000

Medical supplies	
	14 000
Bal	14 000

Accounts payable	
	14 000
Bal	14 000

Brown, capital	
	29 000
Bal	29 000

Service revenue	
	8 000
Bal	8 000

Rent expense	
	2 600
Bal	2 600

(continued) S2-9

Req. 2

Neville Brown, GP		
Trial Balance		
3 January 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$26 400	
Accounts receivable	8 000	
Medical supplies	14 000	
Accounts payable		\$14 000
Brown, capital		29 000
Service revenue		8 000
Rent expense	2 600	
Total	\$51 000	\$51 000

(10 min.) S2-10

Req. 1

Oakland Floor Coverings		
Trial Balance		
31 December 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$12 000	
Equipment	45 000	
Accounts payable		\$ 2 000
Other liabilities		18 000
Oakland, capital		22 000
Revenues		34 000
Expenses	19 000	
Total	\$76 000	\$76 000

Req. 1

Brenda Longval Travel Design		
Incorrect Trial Balance		
30 April 2013		
	Balance	
ACCOUNT	DEBIT	CREDIT
Cash	\$18 000	
Accounts receivable	1 000	
Office supplies	500	
Land	14 000	
Accounts payable		\$ 400
Longval, capital	30 600*	
Longval, drawings	3 000	
Service revenue		8 800
Rent expense, computer	700	
Rent expense, office	900	
Salary expense	1 100	
Electricity and gas expense	600	
Total	\$70 400	\$9 200

*Incorrect; should be listed as a credit.

To correct this error,

1. Take the difference between total debits and total credits:
 $\$70\,400 - \$9\,200 = \$61\,200$
2. Divide the error by 2:
 $\$61\,200 / 2 = \$30\,600$
3. Locate \$30 600 on the trial balance. The Longval, capital account should have a credit balance.

Req. 1

Francis Nangle Travel Design		
Incorrect Trial Balance		
31 January 2013		
	Balance	
ACCOUNT	DEBIT	CREDIT
Cash	\$20 000	
Accounts receivable	1 000	
Office supplies	500	
Land	12 000	
Accounts payable		\$ 100
Nangle, capital		31 000
Nangle, drawings	300*	
Service revenue		8 700
Rent expense, computer	700	
Rent expense, office	1 200	
Salary expense	1 200	
Electricity and gas expense	200	
Total	\$37 100	\$39 800

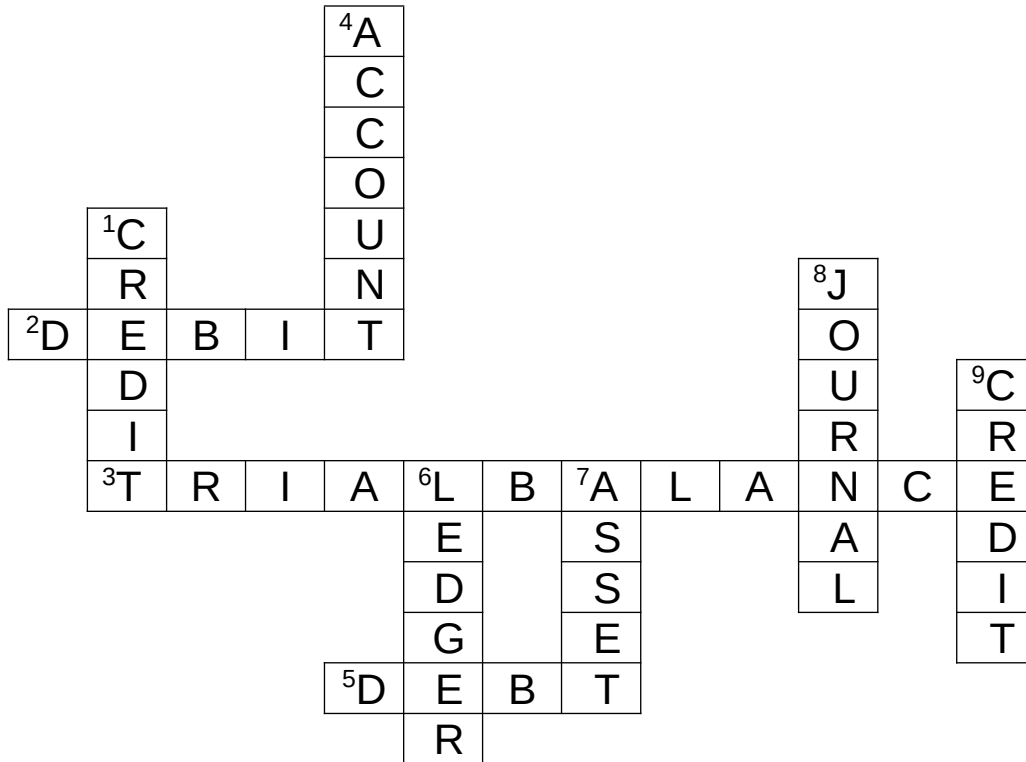
*Incorrect; should be listed as \$3 000.

To correct this error,

1. Take the difference between total debits and total credits:
 $\$37\,100 - \$39\,800 = \$2\,700$
2. Divide the error by 9:
 $\$2\,700 \div 9 = \300
3. Locate \$300 on the trial balance. The Nangle, drawings account holds the error. Trace the Nangle, drawings balance back to the ledger account, which shows the correct amount, \$3 000.

Exercises

(10 min.) E2-1



[illegible]

Req. 1

ASSETS	=	LIABILITIES	+	OWNERS' EQUITY
<i>Debit</i>		<i>Credit</i>		<i>Credit</i>
\$390 000	=	\$260 000	+	\$130 000

REVENUES	–	EXPENSES	=	PROFIT (loss)
\$480 000	–	\$350 000	=	\$130 000
<i>Credit</i>		<i>Debit</i>		<i>Credit</i>

LOSS would be a net *debit* because expenses (*debits*) would exceed revenues (*credits*).

(10-15 min.) E2-4

Req. 1

Journal				
DATE		ACCOUNTS AND EXPLANATIONS	DEBIT	CREDIT
Jul	2	Electricity and gas expense	400	
		Cash		400
	5	Equipment	2 100	
		Accounts payable		2 100
	10	Accounts receivable	2 000	
		Service revenue		2 000
	12	Cash	7 000	
		Note payable		7 000
	19	Cash	29 000	
		Land		29 000
	21	Supplies	800	
		Cash		800
	27	Accounts payable	2 100	
		Cash		2 100

Req. 1

May	1	Owners' investment
	2	Purchased supplies on account (on credit)
	4	Paid cash for building
	6	Performed services for cash
	9	Payment on account
	17	Performed services on account
	23	Received payment on account
	31	Payment of expenses

Reqs. 2 and 3

Cash			110		
May	1	75 000	May	4	53 000
	6	2 600		9	400
	23	1 900		31	2 000
May	31	24 100			

Accounts receivable		120	
May 17	2 500	May 23	1 900
May 31	600		

Supplies		130
May 2	500	
May 31	500	

Building		140
May 4	53 000	
May 31	53 000	

Accounts payable		210
May 9	400	May 2 500
		May 31 100

Ward, capital		310
	May 1	75 000
	May 31	75 000

(continued) E2-5

Reqs. 2 and 3

Service revenue		410
	May 6	2 600
	17	2 500
	May 31	5 100

Rent expense		510
May 31	900	
May 31	900	

Salary expense		520
May 31	1 100	
May 31	1 100	

(continued) E2-5

Req. 4

Ward Technology Solutions		
Trial Balance		
31 May 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$24 100	
Accounts receivable	600	
Supplies	500	
Building	53 000	
Accounts payable		\$ 100
Ward, capital		75 000
Service revenue		5 100
Rent expense	900	
Salary expense	1 100	
Total	\$80 200	\$80 200

(20-30 min.) E2-6

Req. 1

Req. 2

	Effect on Trial Balance	Account	Amount	Direction of Error
a.	Total debits > Total credits	Bill payable	\$7 000	Too low
b.	Total debits > Total credits	Electricity and gas expense	810	Too high
c.	Total debits = Total credits	Furniture	800	Too high
		Accounts payable	800	Too high
d.	Total debits > Total credits	Cash	1 080	Too high
e.	Total debits = Total credits	Supplies	90	Too low
		Accounts payable	90	Too low

(15-25 min.) E2-7

Reqs. 1 and 2

Cash			
Jul 1	4 000	Jul 2	400
12	7 000	21	800
19	29 000	27	2,100
Jul 31	36 700		

Accounts receivable		
Jul 10	2 000	
Jul 31	2 000	

Supplies	
Jul 21	800
Jul 31	800

Equipment	
Jul 5	2 100
Jul 31	2 100

Land	
Jul 1	29 000
Jul 31	0

Accounts payable			
Jul 27	2 100	Jul 5	2 100
		Jul 31	0

Bills payable		
	Jul 12	7 000
	Jul 31	7 000

London, capital		
	Jul 1	33 000
	Jul 31	33 000

Service revenue		
	Jul 10	2 000
	Jul 31	2 000

Electricity and gas expense	
Jul 2	400
Jul 31	400

(continued) E2-7**Req. 3**

London Engineering		
Trial Balance		
31 July 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$36 700	
Accounts receivable	2 000	
Supplies	800	
Equipment	2 100	
Bills payable		\$ 7 000
London, capital		33 000
Service revenue		2 000
Electricity and gas expense	400	
Total	\$42 000	\$42 000

(10 min.) E2-8**Req. 1**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
1.	Cash		53 000	
	Adams, capital			53 000
	Owners' investment.			
2.	Supplies		700	
	Accounts payable			700
	Purchased supplies on account.			
3.	Building		40 000	
	Cash			40 000
	Paid cash for building.			
4.	Cash		50 000	
	Bill payable			50 000
	Borrowed money; signed bill payable.			
5.	Equipment		4 700	
	Cash			4 700
	Paid cash for equipment.			

(continued) E2-8

Req. 2

Adams' Lawn Care		
Trial Balance		
30 June 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 58 300	
Supplies	700	
Equipment	4 700	
Building	40 000	
Accounts payable		\$ 700
Bill payable		50 000
Adams, capital		53 000
Total	\$103 700	\$103 700

(10 min.) E2-9

Req. 1 Thomas Sell's transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Repair expense		573.41	
	Cash			573.41
	Paid repair bill.			

Req. 2 Advanced Automotive's transaction:

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Cash		573.41	
	Service revenue			573.41
	Performed service and received cash.			

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		14 100	
	Office furniture		5 200	
	Parker, capital			19 300
b.	Rent expense		1 500	
	Cash			1 500
c.	Office supplies		900	
	Accounts payable			900
d.	Salary expense		1 700	
	Cash			1 700
e.	Accounts payable		700	
	Cash			700
f.	Accounts receivable		5 900	
	Service revenue			5 900
g.	Parker, drawings		6 700	
	Cash			6 700

(continued) E2-10

Reqs. 1 and 2

ACCOUNT		Cash			ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
a.				14 100		14 100	
b.					1 500	12 600	
d.					1 700	10 900	
e.					700	10 200	
g.					6 700	3 500	

ACCOUNT		Accounts receivable			ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
f.				5 900		5 900	

ACCOUNT		Office supplies			ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
c.				900		900	

ACCOUNT		Office furniture			ACCOUNT NO.		
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
a.				5 200		5 200	

(continued) E2-10

Reqs. 1 and 2

ACCOUNT		Accounts payable			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
c.				900		900
e.			700			200

ACCOUNT		Parker, capital			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
a.				19 300		19 300

ACCOUNT		Parker, drawings			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
g.			6 700		6 700	

ACCOUNT		Service revenue			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
f.				5 900		5 900

(continued) E2-10

Reqs. 1 and 2

ACCOUNT		Salary expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
d.			1 700		1 700	

ACCOUNT		Rent expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
b.			1 500		1 500	

Req. 3

Teresa Parker, Accountant		
Trial Balance		
30 June 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 3 500	
Accounts receivable	5 900	
Office supplies	900	
Office furniture	5 200	
Accounts payable		\$ 200
Parker, capital		19 300
Parker, drawings	6 700	
Service revenue		5 900
Salary expense	1 700	
Rent expense	1 500	
Total	\$25 400	\$25 400

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Aug	1	Cash		48 000	
		Principe, capital			48 000
		Owner investment			
	2	Supplies		500	
		Accounts payable			500
		Purchased supplies on account.			
	4	Building		47 000	
		Cash			47 000
		Paid cash for a building.			
	6	Cash		4 400	
		Service revenue			4 400
		Performed service for cash.			
	9	Accounts payable		200	
		Cash			200
		Paid cash on account.			
	17	Accounts receivable		2 200	
		Service revenue			2 200
		Performed service on account.			
	23	Cash		1 600	
		Accounts receivable			1 600
		Received cash on account.			
	31	Salary expense		1 900	
		Rent expense		700	
		Cash			2 600
		Paid expenses.			

(15-20 min.) E2-12

Req. 1

Cash			
Aug 1	48 000	Aug 4	47 000
6	4 400	9	200
23	1 600	31	2 600
Aug 31	4 200		

Accounts receivable			
Aug 17	2 200	Aug 23	1 600
Aug 31	600		

Supplies	
Aug 2	500
Aug 31	500

Building	
Aug 4	47 000
Aug 31	47 000

Accounts payable			
Aug 9	200	Aug 2	500
		Aug 31	300

Principe, capital		
	Aug 1	48 000
	Aug 31	48 000

Service revenue		
	Aug 6	4 400
	17	2 200
	Aug 31	6 600

Salary expense		
Aug 31	1 900	
Aug 31	1 900	

Rent expense	
Aug 31	700
Aug 31	700

(continued) E2-12**Req. 2**

Principe Technology Solutions		
Trial Balance		
31 August 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$4 200	
Accounts receivable	600	
Supplies	500	
Building	47 000	
Accounts payable		\$ 300
Principe, capital		48 000
Service revenue		6 600
Salary expense	1 900	
Rent expense	700	
Total	<u>\$54 900</u>	<u>\$54 900</u>

(10 min.) E2-13**Req. 1**

Atkins Moving		
Trial Balance		
30 June 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 4 000	
Accounts receivable	8 800	
Supplies	300	
Trucks	132 000	
Building	48 000	
Accounts payable		\$ 4 000
Bill payable		54 000
Atkins, capital		72 000
Atkins, drawings	5 400	
Service revenue		80 000
Salary expense	7 000	
Fuel expense	3 000	
Insurance expense	600	
Electricity and gas expense	500	
Supplies expense	400	
Total	<u>\$210 000</u>	<u>\$210 000</u>

Req. 1

Joy McDowell Tutoring Service		
Trial Balance		
31 May 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 3 500*	
Accounts receivable	1 500*	
Supplies	600	
Computer equipment	25 800	
Accounts payable		\$12 700*
McDowell, capital		12 200*
Service revenue		9 800
Salary expense	1 700	
Rent expense	700	
Electricity and gas expense	900*	
Total	\$34 700	\$34 700

***Calculations:**

Cash:	$\$3\,000 + \$500 = \$3\,500$
Accounts receivable:	$\$2\,000 - \$500 = \$1\,500$
Accounts payable:	$\$11\,400 + \$900 + \$400 = \$12\,700$
McDowell, capital:	$\$11\,600 + \$600 = \$12\,200$
Electricity and gas expense:	$\$500 + \$400 = \$900$

Problems

(10-15 min.) P2-1

Req. 1

Req. 2

Account	Account Type	Normal Balance
Cash	Asset	Debit
Supplies	Asset	Debit
Building	Asset	Debit
Accounts payable	Liability	Credit
Bills payable	Liability	Credit
Cowra, capital	Equity	Credit
Cowra, drawings	Equity	Debit
Service revenue	Revenue	Credit
Salary expense	Expense	Debit
Rent expense	Expense	Debit
Rates expense	Expense	Debit

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	1	Cash		370 000	
		Cowra, capital			370 000
	2	Building		360 000	
		Cash			360 000
	5	Cash		260 000	
		Bill payable			260 000
	10	Supplies		1 400	
		Accounts payable			1 400
	15	Accounts payable		1 200	
		Cash			1 200
	15	Rates expense		1 500	
		Cash			1 500
	16	Salary expense		2 500	
		Rent expense		1 400	
		Cash			3 900
	28	Cowra, drawing		7 000	
		Cash			7 000
	30	Cash		21 000	
		Service revenue			21 000

Req. 2**(continued) P2-2**

Cash			
Sep 1	370 000	Sep 2	360 000
5	260 000	15	1 200
30	21 000	15	1 500
		16	3 900
		28	7 000
Bal	277 400		

Supplies	
Sep 10	1 400
Bal	1 400

Building	
Sep 2	360 000
Bal	360 000

Cowra, drawing	
Sep 28	7 000
Bal	7 000

Rates expense	
Sep 15	1 500
Bal	1 500

Accounts payable			
Sep 15	1 200	Sep 10	1 400
		Bal	200

Bills Payable			
		Sep 5	260 000
		Bal	260 000

Cowra, capital		
	Sep 1	370 000
	Bal	370 000

Service revenue		
	Sep 30	21 000
	Bal	21 000

Salary expense		
Sep 6	2 500	
Bal	2 500	

Rent expense		
Sep 16	1 400	
Bal	1 400	

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul	1	Cash		68 000	
		Yung, capital			68 000
	5	Rent expense—equipment		560	
		Cash			560
	9	Land		16 000	
		Cash			16 000
	10	Supplies		1 600	
		Accounts payable			1 600
	19	Cash		23 000	
		Bill payable			23 000
	22	Accounts payable		1 300	
		Cash			1 300
	31	Cash		6 500	
		Accounts receivable		5 800	
		Service revenue			12 300
	31	Salary expense		2 500	
		Rent expense—office		1 100	
		Electricity and gas expense		400	
		Cash			4 000
	31	Yung, drawings		7 000	
		Cash			7 000

(continued) P2-3

Req. 2

Cash			
Jul 1	68 000	Jul 5	560
19	23 000	9	16 000
31	6 500	22	1 300
		31	4 000
		31	7 000
Bal	68 640		

Land	
Jul 9	16 000
Bal	16 000

Bills payable		
	Jul 19	23 000
	Bal	23 000

Yung, drawings	
Jul 31	7 000
Bal	7 000

Rent expense—equipment	
Jul 5	560
Bal	560

Salary expense	
Jul 31	2 500
Bal	2 500

Accounts receivable		
Jul 31	5 800	
Bal	5 800	

Supplies	
Jul 10	1 600
Bal	1 600

Accounts payable			
Jul 22	1 300	July 10	1 600
		Bal	300

Yung, capital		
	Jul 1	68 000
	Bal	68 000

Service revenue		
	Jul 31	12 300
	Bal	12 300

Rent expense—office	
Jul 31	1 100
Bal	1 100

Electricity and gas expense	
Jul 31	400
Bal	400

Req. 3

Vernon Yung, GP		
Trial Balance		
31 July 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 68 640	
Accounts receivable	5 800	
Supplies	1 600	
Land	16 000	
Accounts payable		\$ 300
Bill payable		23 000
Yung, capital		68 000
Yung, drawings	7 000	
Service revenue		12 300
Salary expense	2 500	
Rent expense—office	1 100	
Rent expense—equipment	560	
Electricity and gas expense	400	
Total	<u>\$103 600</u>	<u>\$103 600</u>

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	1	Cash		42 000	
		Stewart, capital			42 000
	4	Supplies		700	
		Furniture		1 900	
		Accounts payable			2 600
	6	Cash		1 400	
		Service revenue			1 400
	7	Land		24 000	
		Cash			24 000
	10	Accounts receivable		1 000	
		Service revenue			1 000
	14	Accounts payable		1 900	
		Cash			1 900
	15	Salary expense		490	
		Cash			490
	17	Cash		400	
		Accounts receivable			400
	20	Accounts receivable		700	
		Service revenue			700
	28	Cash		2 100	
		Service revenue			2 100

(continued) P2-4

	30	Salary expense		490	
		Cash			490
	30	Rent expense		650	
		Cash			650
	30	Stewart, drawings		3 000	
		Cash			3 000

Reqs. 1 and 3

Cash				Accounts receivable			
Sep 1	42 000	Sep. 7	24 000	Sep 10	1 000	Sep. 17	400
6	1 400	14	1 900	Sep 20	700		
17	400	15	490	Bal	1 300		
28	2 100	30	490				
		30	650				
		30	3 000				
Bal	15 370						

Supplies			
Sep 4	700		
Bal	700		

Furniture			
Sep 4	1 900		
Bal	1 900		

Land			
Sep 7	24 000		
Bal	24 000		

Accounts payable			
Sep 14	1 900	Sep 4	2 600
		Bal	700

Stewart, capital			
		Sep 1	42 000
		Bal	42 000

(continued) P2-4

Reqs. 1 and 3

Stewart, drawings	
Sep 30	3 000
Bal	3 000

Service revenue		
	Sep 6	1 400
	10	1 000
	20	700
	28	2 100
	Bal	5 200

Salary expense	
Sep 15	490
30	490
Bal	980

Rent expense	
Sep 30	650
Bal	650

Req. 4

Doris Stewart, Designer		
Trial Balance		
30 September 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 15 370	
Accounts receivable	1 300	
Supplies	700	
Furniture	1 900	
Land	24 000	
Accounts payable		\$ 700
Stewart, capital		42 000
Stewart, drawings	3 000	
Service revenue		5 200
Salary expense	980	
Rent expense	650	
Total	\$47 900	\$47 900

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Sep	2	Cash		39 000	
		Moore, capital			39 000
	3	Supplies		600	
		Furniture		2 000	
		Accounts payable			2 600
	4	Cash		1 300	
		Service revenue			1 300
	7	Land		26 000	
		Cash			26 000
	11	Accounts receivable		700	
		Service revenue			700
	15	Salary expense		590	
		Cash			590
	16	Accounts payable		600	
		Cash			600
	18	Cash		2 400	
		Service revenue			2 400
	19	Accounts receivable		800	
		Service revenue			800
	29	Cash		700	
		Accounts receivable			700
	30	Salary expense		590	
		Cash			590
	30	Rent expense		670	
		Cash			670

	30	Moore, drawings		2 400	
		Cash			2 400

(continued) P2-5

Reqs. 1 and 3

Cash			
Sep 2	39 000	Sep 7	26 000
4	1 300	15	590
18	2 400	16	600
29	700	30	590
		30	670
		30	2 400
Bal	12 550		

Furniture	
Sep 3	2 000
Bal	2 000

Accounts payable			
Sep 16	600	Sep 3	2 600
		Bal	2 000

Moore, drawings	
Sep 30	2 400
Bal	2 400

Salary expense	
Sep 15	590
30	590
Bal	1 180

Accounts receivable			
Sep 11	700	Sep 29	700
19	800		
Bal	800		
Supplies			
Sep 3	600		
Bal	600		

Land	
Sep 7	26 000
Bal	26 000

Moore, capital			
	Sep 2	39 000	
	Bal	39 000	

Service revenue			
	Sep 4	1 300	
	11	700	
	18	2 400	
	19	800	
	Bal	5 200	

Rent expense	
Sep 30	670
Bal	670

Req. 4

Trevor Moore, Solicitor		
Trial Balance		
30 September 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 12 550	
Accounts receivable	800	
Supplies	600	
Furniture	2 000	
Land	26 000	
Accounts payable		\$ 2 000
Moore, capital		39 000
Moore, drawings	2 400	
Service revenue		5 200
Salary expense	1 180	
Rent expense	670	
Total	<u>\$46 200</u>	<u>\$46 200</u>

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Feb	4	Cash	11	4 000	
		Accounts receivable	12		4 000
		Received cash on account.			
	8	Accounts receivable	12	4 600	
		Service revenue	41		4 600
		Performed services on account.			
	13	Accounts payable	21	2 400	
		Cash	11		2 400
		Paid on account.			
	18	Supplies	13	900	
		Accounts payable	21		900
		Purchased supplies on account.			
	20	Mitchell, drawings	32	2 200	
		Cash	11		2 200
		Owner drawings			
	21	Paid for deck for residence; not a transaction of the business.			
	22	Cash	11	2 300	
		Service revenue	41		2 300
		Performed service for cash.			
	27	Rent expense	52	500	
		Cash	11		500
		Paid rent.			
	29	Salary expense	51	1 600	
		Cash	11		1 600
		Paid employee salary.			

(continued) P2-6

Req. 2

ACCOUNT		Cash				ACCOUNT NO. 11	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				7 000	
Feb	4			4 000		11 000	
	13				2 400	8 600	
	20				2 200	6 400	
	22			2 300		8 700	
	27				500	8 200	
	29				1 600	6 600	

ACCOUNT		Accounts receivable				ACCOUNT NO. 12	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				10 500	
Feb	4				4 000	6 500	
	8			4 600		11 100	

ACCOUNT		Supplies				ACCOUNT NO. 13	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				600	
Feb	18			900		1 500	

Req. 2

ACCOUNT		Land				ACCOUNT NO. 14	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal				17 000	

ACCOUNT		Accounts payable				ACCOUNT NO. 21	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal					4 700
Feb	13			2 400			2 300
	18				900		3 200

ACCOUNT		Mitchell, capital				ACCOUNT NO. 31	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jan	31	Bal					30 400

ACCOUNT		Mitchell, drawings				ACCOUNT NO. 32	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	20			2 200		2 200	

(continued) P2-6

Req. 2

ACCOUNT		Service revenue				ACCOUNT NO. 41	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	8				4 600		4 600
	22				2 300		6 900

ACCOUNT		Salary expense				ACCOUNT NO. 51	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	29			1 600		1 600	

ACCOUNT		Rent expense				ACCOUNT NO. 52	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Feb	27			500		500	

(continued) P2-6

Req. 3

Sam Mitchell, Accountant			
Trial Balance			
28 February 2013			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 6 600	
12	Accounts receivable	11 100	
13	Supplies	1 500	
14	Land	17 000	
21	Accounts payable		\$ 3 200
31	Mitchell, capital		30 400
32	Mitchell, drawings	2 200	
41	Service revenue		6 900
51	Salary expense	1 600	
52	Rent expense	500	
	Total	\$ 40 500	\$ 40 500

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Jul	4	Cash		6 000	
		Accounts receivable			6 000
		Received cash on account.			
	7	Accounts receivable		6 600	
		Service revenue			6 600
		Performed services on account.			
	16	Supplies		1 000	
		Accounts payable			1 000
		Purchased supplies on account.			
	19	Silver, drawings		2 300	
		Cash			2 300
		Owner drawings			
	20	Accounts payable		2 500	
		Cash			2 500
		Paid on account.			
	24	Cash		2 200	
		Service revenue			2 200
		Performed service for cash.			
	25	Rent expense		500	
		Cash			500
		Paid rent.			
	31	Salary expense		1 700	
		Cash			1 700
		Paid employee salary.			

(continued) P2-7

Req. 2

ACCOUNT		Cash				ACCOUNT NO. 11	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				7 000	
Jul	4			6 000		13 000	
	19				2 300	10 700	
	20				2 500	8 200	
	24			2 200		10 400	
	25				500	9 900	
	31				1 700	8 200	

ACCOUNT		Accounts receivable				ACCOUNT NO. 12	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				8 500	
Jul	4				6 000	2 500	
	7			6 600		9 100	

ACCOUNT		Supplies				ACCOUNT NO. 13	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				800	
Jul	16			1 000		1 800	

(continued) P2-7

Req. 2

ACCOUNT		Equipment				ACCOUNT NO. 14	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal				13 000	

ACCOUNT		Accounts payable				ACCOUNT NO. 21	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					4 800
Jul	16				1 000		5 800
	20			2 500			3 300

ACCOUNT		Silver, capital				ACCOUNT NO. 31	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jun	30	Bal					24 500

ACCOUNT		Silver, drawings				ACCOUNT NO. 32	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	19			2 300		2 300	

(continued) P2-7

Req. 2

ACCOUNT		Service revenue				ACCOUNT NO. 41	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	7				6 600		6 600
	24				2 200		8 800

ACCOUNT		Salary expense				ACCOUNT NO. 51	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	31			1 700		1 700	

ACCOUNT		Rent expense				ACCOUNT NO. 52	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	BALANCE	
						DEBIT	CREDIT
Jul	25			500		500	

(continued) P2-7

Req. 3

Sharon Silver, Dietician			
Trial Balance			
31 July 2013			
ACCT. NO.	ACCOUNT	DEBIT	CREDIT
11	Cash	\$ 8 200	
12	Accounts receivable	9 100	
13	Supplies	1 800	
14	Equipment	13 000	
21	Accounts payable		\$ 3 300
31	Silver, capital		24 500
32	Silver, drawings	2 300	
41	Service revenue		8 800
51	Salary expense	1 700	
52	Rent expense	500	
	Total	<u>\$36 600</u>	<u>\$36 600</u>

Req. 2

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash		48 000	
	Building		30 000	
	Wills, capital			78 000
	Owner investment.			
b.	Office supplies		2 000	
	Accounts payable			2 000
	Purchased supplies on account.			
c.	Office furniture		14 000	
	Cash			14 000
	Purchased furniture.			
d.	Salary expense		2 200	
	Cash			2 200
	Paid salary.			
e.	Accounts receivable		3 700	
	Service revenue			3 700
	Performed service on account.			
f.	Accounts payable		900	
	Cash			900
	Paid on account.			
g.	Advertising expense		600	
	Accounts payable			600
	Received advertising bill.			

(continued) P2-8

Req. 2

Journal				
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	CREDIT
h.		Cash		1 100
		Service revenue		1 100
		Performed service and received cash.		
i.		Cash		1 100
		Accounts receivable		1 100
		Collected cash on account.		
j.		Rent expense		1 000
		Electricity and gas expense		900
		Cash		1 900
		Paid expenses.		
k.		Wills, drawings		2 300
		Cash		2 300
		Owner withdrawal		

(continued) P2-8

Reqs. 1 and 3

ACCOUNT		Cash		ACCOUNT NO.			
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
a.			48 000		48 000		
c.				14 000	34 000		
d.				2 200	31 800		
f.				900	30 900		
h.			1 100		32 000		
i.			1 100		33 100		
j.				1 900	31 200		
k.				2 300	28 900		

ACCOUNT		Accounts receivable				ACCOUNT NO.	
						BALANCE	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	DEBIT	CREDIT
e.				3 700		3 700	
i.					1 100	2 600	

ACCOUNT		Office supplies				ACCOUNT NO.	
						BALANCE	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	DEBIT	CREDIT
b.				2 000		2 000	

ACCOUNT		Office furniture				ACCOUNT NO.	
						BALANCE	
DATE		ITEM	JRNL. REF.	DEBIT	CREDIT	DEBIT	CREDIT
c.				14 000		14 000	

(continued) P2-8

Reqs. 1 and 3

ACCOUNT		Building			ACCOUNT NO.		
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
a.			30 000		30 000		

ACCOUNT		Accounts payable			ACCOUNT NO.		
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
b.				2 000		2 000	
f.			900			1 100	
g.				600		1 700	

ACCOUNT		Wills, capital			ACCOUNT NO.		
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
a.				78 000		78 000	

ACCOUNT		Wills, drawings			ACCOUNT NO.		
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
k.			2 300		2 300		

ACCOUNT		Service revenue			ACCOUNT NO.		
		JRNL. REF.	DEBIT	CREDIT	BALANCE		
DATE	ITEM				DEBIT	CREDIT	
e.				3 700		3 700	
h.				1 100		4 800	

(continued) P2-8

Reqs. 1 and 3

ACCOUNT		Salary expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
d.			2 200		2 200	

ACCOUNT		Rent expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
j.			1 000		1 000	

ACCOUNT		Advertising expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
g.			600		600	

ACCOUNT		Electricity and gas expense			ACCOUNT NO.	
		JRNL. REF.	DEBIT	CREDIT	BALANCE	
DATE	ITEM				DEBIT	CREDIT
j.			900		900	

Req. 4

Wills Environmental Consulting		
Trial Balance		
28 February 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 28 900	
Accounts receivable	2 600	
Supplies	2 000	
Furniture	14 000	
Building	30 000	
Accounts payable		\$ 1 700
Wills, capital		78 000
Wills, drawings	2 300	
Service revenue		4 800
Salary expense	2 200	
Rent expense	1 000	
Advertising expense	600	
Electricity and gas expense	900	
Total	<u>\$84 500</u>	<u>\$84 500</u>

Req. 1

Smart Tots Child Care		
Trial Balance		
31 August 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 7 700*	
Accounts receivable	15 000*	
Supplies	1 700*	
Equipment	78 500*	
Accounts payable		\$ 54 000*
Tilley, capital		50 500
Tilley, drawings	2 400	
Service revenue		4 700
Salary expense	3 400*	
Rent expense	<u>500</u>	<u> </u>
Total	<u>\$109 200</u>	<u>\$109 200</u>

*Calculations:

- a. Cash: $\$6\,700 + \$1\,000 = \$7\,700$
- b. Accounts receivable: $\$7\,000 + \$4\,000 + \$4\,000 = \$15\,000$
- c. Supplies: $\$700 + \$1\,000 = \$1\,700$
- Accounts payable: $\$53\,000 + \$1\,000 = \$54\,000$
- d. Equipment: $\$87\,000 - \$8\,500 = \$78\,500$
- e. Salary expense: $\$3\,600 - \$200 = \$3\,400$

Req. 1

Treasure Hunt Exploration		
Trial Balance		
30 June 2013		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 1 300*	
Accounts receivable	6 360*	
Supplies	1 300*	
Exploration equipment	16 490*	
Computers	49 000	
Accounts payable		\$ 3 700*
Bill payable		18 500
Jones, capital		50 000
Jones, drawing	4 000	
Service revenue		10 900*
Salary expense	1 400	
Rent expense	1 480*	
Advertising expense	900	
Electricity and gas expense	870*	
Total	<u>\$83 100</u>	<u>\$83 100</u>

***Calculations:**

- a. Cash: $\$6\,300 - \$5\,000 = \$1\,300$
- b. Rent expense: $\$800 + \$340 + \$340 = \$1\,480$
- c. Service revenue: $\$4\,100 + \$6\,800 = \$10\,900$
- d. Accounts receivable: $\$6\,000 + (400 - 40 = \$360) = \$6\,360$
- e. Electricity and gas expense: $\$800 + \$70 = \$870$
- f. Supplies: $\$400 + \$900 = \$1\,300$
- Accounts payable: $\$2\,800 + \$900 = \$3\,700$
- g. Exploration equipment: $\$22\,300 - \$5\,810 = \$16\,490$

Req. 1

Showtime Amusements		
Income Statement		
Month Ended 30 September 2013		
Revenue:		
Service revenue		\$21 000
Expenses:		
Salary expense	\$2 500	
Rates expense	1 500	
Rent expense	<u>1 400</u>	
Total expenses		5 400
Profit		<u>\$15 600</u>

Req. 2

Showtime Amusements	
Statement of Changes in Equity	
Month Ended 30 September 2013	
Coughlato, capital, 1 September 2013	\$ 0
Owner investment	370 000
Profit	<u>15 600</u>
	385 600
Drawings	<u>(7 000)</u>
Coughlato, capital, 30 September 2013	<u>\$378 600</u>

(continued) P2-11

Req. 3

Showtime Amusements			
Balance Sheet			
30 September 2013			
ASSETS		LIABILITIES	
Cash	\$277 400	Accounts payable	\$ 200
Supplies	1 400	Bill payable	<u>260 000</u>
Building	360 000	Total liabilities	260 200
		OWNERS' EQUITY	
		Cowra, capital	<u>378 600</u>
		Total liabilities and	
Total assets	<u>\$638 800</u>	Owners' equity	<u>\$638 800</u>

(20-30 min.) P2-12

Req. 1

Vernon Yung, GP		
Income Statement		
Month Ended 31 July 2013		
Revenue:		
Service revenue		\$12 300
Expenses:		
Salary expense	\$2 500	
Rent expense—office	1 100	
Rent expense—equipment	560	
Electricity and gas expense	<u>400</u>	
Total expenses		<u>4 560</u>
Profit		<u>\$7 740</u>

Req. 2

Vernon Yung, GP	
Statement of Changes in Equity	
Month Ended 31 July 2013	
Yung, capital, 1 July 2013	\$ 0
Owner investment	68 000
Profit	<u>7 740</u>
	75 740

Drawings	<u>(7 000)</u>
Yung, capital, 31 July 2013	<u>\$68 740</u>

(continued) P2-12

Req. 3

Vernon Yung, GP			
Balance Sheet			
31 July 2013			
ASSETS		LIABILITIES	
Cash	\$ 68 640	Accounts payable	\$ 300
Accounts receivable	5 800	Bill payable	<u>23 000</u>
Supplies	1 600	Total liabilities	23 300
Land	16 000	OWNERS' EQUITY	
		Yung, capital	<u>68 740</u>
		Total liabilities and	
Total assets	<u>\$ 92 040</u>	Owners' equity	<u>\$ 92 040</u>

(20-30 min.) P2-13

Req. 1

Doris Stewart, Designer		
Income Statement		
Month Ended 30 September 2013		
Revenue:		
Service revenue		<u>\$ 5 200</u>
Expenses:		
Salary expense	\$ 980	
Rent expense	<u>650</u>	
Total expenses		<u>1 630</u>
Profit		<u>\$3 570</u>

Req. 2

Doris Stewart, Designer	
Statement of Changes in Equity	
Month Ended 30 September 2013	
Stewart, capital, 30 September 2012	\$ 0

Owner investment	42 000
Profit	<u>3 570</u>
	45 570
Drawings	<u>(3 000)</u>
Stewart, capital, 30 September 2013	<u>\$42 570</u>

(continued) P2-13

Req. 3

Doris Stewart, Designer			
Balance Sheet			
30 September 2013			
ASSETS		LIABILITIES	
Cash	\$ 15 370	Accounts payable	\$ 700
Accounts receivable	1 300		
Supplies	700	OWNERS' EQUITY	
Furniture	1 900		
Land	24 000	Stewart, capital	<u>42 570</u>
		Total liabilities and	
Total assets	<u>\$ 43 270</u>	Owners' equity	<u>\$43 270</u>

Req. 1

Trevor Moore, Solicitor		
Income Statement		
Month Ended 30 September 2013		
Revenue:		
Service revenue		\$ 5 200
Expenses:		
Salary expense	\$1 180	
Rent expense	<u>670</u>	
Total expenses		<u>1 850</u>
Profit		<u>\$ 3 350</u>

Req. 2

Trevor Moore, Solicitor	
Statement of Changes in Equity	
Month Ended 30 September 2013	
Moore, capital, 1 September 2013	\$ 0
Owner investment	39 000
Profit	<u>3 350</u>
	42 350
Drawings	<u>(2 400)</u>
Moore, capital, 30 September 2013	<u>\$39 950</u>

(continued) P2-14

Req. 3

Trevor Moore, Solicitor			
Balance Sheet			
30 September 2013			
ASSETS		LIABILITIES	
Cash	\$ 12 550	Accounts payable	\$ 2 000
Accounts receivable	800		
Supplies	600	OWNERS' EQUITY	
Furniture	2 000		
Land	26 000	Moore, capital	<u>39 950</u>
		Total liabilities and	
Total assets	<u>\$ 41 950</u>	Owners' equity	<u>\$ 41 950</u>

(20-30 min.) P2-15

Req. 1

Sam Mitchell, Accountant		
Income Statement		
Month Ended 28 February 2013		
Revenue:		
Service revenue		\$ 6 900
Expenses:		
Salary expense	\$1 600	
Rent expense	<u>500</u>	
Total expenses		<u>2 100</u>
Profit		<u>\$ 4 800</u>

Req. 2

Sam Mitchell, Accountant	
Statement of Changes in Equity	
Month Ended 28 February 2013	
Mitchell, capital, 1 February 2013	\$ 0
Owner investment	30 400
Profit	<u>4 800</u>
	35 200
Drawings	<u>(2 200)</u>
Mitchell, capital, 28 February 2013	<u>\$ 33 000</u>

(continued) P2-15**Req. 3**

Sam Mitchell, Accountant			
Balance Sheet			
28 February 2013			
ASSETS		LIABILITIES	
Cash	\$ 6 600	Accounts payable	\$ 3 200
Accounts receivable	11 100		
Supplies	1 500	OWNERS' EQUITY	
Land	17 000		
		Mitchell, capital	<u>33 000</u>
		Total liabilities and	
Total assets	<u>\$ 36 200</u>	Owners' equity	<u>\$ 36 200</u>

(20-30 min.) P2-16**Req. 1**

Sharon Silver, Dietician		
Income Statement		
Month Ended 31 July 2013		
Revenue:		
Service revenue		\$ 8 800
Expenses:		
Salary expense	\$1 700	
Rent expense	<u>500</u>	
Total expenses		<u>2 200</u>
Profit		<u>\$ 6 600</u>

Req. 2

Sharon Silver, Dietician	
Statement of Changes in Equity	
Month Ended 31 July 2013	
Silver, capital, 1 July 2013	\$ 0
Owner investment	24 500
Profit	<u>6 600</u>
	31 100
Drawings	<u>(2 300)</u>
Silver, capital, 31 July 2013	<u>\$28 800</u>

(continued) P2-16**Req. 3**

Sharon Silver, Dietician			
Balance Sheet			
31 July 2013			
ASSETS		LIABILITIES	
Cash	\$ 8 200	Accounts payable	\$ 3 300
Accounts receivable	9 100		
Supplies	1 800	OWNERS' EQUITY	
Equipment	13 000	Silver, capital	<u>28 800</u>
		Total liabilities and	
Total assets	<u>\$ 32 100</u>	Owners' equity	<u>\$ 32 100</u>

(20-30 min.) P 2-17**Req. 1**

Wills Environmental Consulting		
Income Statement		
Month Ended 28 February 2013		
Revenue:		
Service revenue		\$ 4 800
Expenses:		
Salary expense	\$ 2 200	
Rent expense	1 000	
Electricity and gas expense	900	
Advertising expense	<u>600</u>	
Total expenses		<u>4 700</u>
Profit		<u>\$ 100</u>

(continued) P2-17

Req. 2

Wills Environmental Consulting	
Statement of Changes in Equity	
Month Ended 28 February 2013	
Wills, capital, 1 February 2013	\$ 0
Owner investment	78 000
Profit	<u>100</u>
	78 100
Drawings	<u>(2 300)</u>
Wills, capital, 28 February 2013	<u>\$ 75 800</u>

(continued) P2-17

Req. 3

Wills Environmental Consulting			
Balance Sheet			
28 February 2013			
ASSETS		LIABILITIES	
Cash	\$28 900	Accounts payable	\$ 1 700
Accounts receivable	2 600		
Office supplies	2 000	OWNERS' EQUITY	
Office furniture	14 000		
Building	30 000	Wills, capital	75 800
Total assets	<u>\$77 500</u>	Total liabilities and Owners' equity	<u>\$ 77 500</u>

Continuing Exercise

(30-45 min.) E2-15

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
May	1	Cash		1 700	
		Lawlor, capital			1 700
	3	Equipment		1 440	
		Accounts payable			1 440
	5	Fuel expense		30	
		Cash			30
	6	Accounts receivable		150	
		Service revenue			150
	8	Lawn supplies		150	
		Cash			150
	17	Cash		800	
		Service revenue			800
	31	Cash		100	
		Accounts receivable			100

(continued) E2-15

Reqs. 1 and 3

Cash			
May 1	1 700	May 5	30
17	800	8	150
31	100		
Bal	2 420		

Accounts receivable			
May 6	150	May 31	100
Bal	50		

Lawn supplies			
May 8	150		
Bal	150		

Equipment			
May 3	1 440		
Bal	1 440		

Accounts payable			
	May 3	1 440	
	Bal	1 440	

Lawlor, capital			
	May 1	1 700	
	Bal	1 700	

Service revenue			
	May 6	150	
	17	800	
	Bal	950	

Fuel expense			
May 5	30		
Bal	30		

(continued) E2-15

Req. 4

Lawlor Lawn Service		
Trial Balance		
May 31 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 2 420	
Accounts receivable	50	
Lawn supplies	150	
Equipment	1 440	
Accounts payable		\$1 440
Lawlor, capital		1 700
Service revenue		950
Fuel expense	30	
Total	\$ 4 090	\$4 090

Continuing Problem

(40-50 min.) P2-18

Req. 2

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec	2	Cash		18 000	
		Draper, capital			18 000
	2	Rent expense		550	
		Cash			550
	3	Equipment		1 800	
		Cash			1 800
	4	Furniture		4 200	
		Accounts payable			4 200
	5	Supplies		900	
		Accounts payable			900
	9	Accounts receivable		1 500	
		Service revenue			1 500
	12	Electricity and gas expense		250	
		Cash			250
	18	Cash		1 100	
		Service revenue			1 100

(continued) P2-18

Reqs. 1 and 3

Cash			
Dec 2	18 000	Dec 2	550
18	1 100	3	1 800
		12	250
Bal	16 500		

Supplies	
Dec 5	900
Bal	900

Furniture	
Dec 4	4 200
Bal	4 200

Draper, capital		
	Dec 2	18 000
	Bal	18 000

Service revenue		
	Dec 9	1 500
	18	1 100
	Bal	2 600

Accounts receivable		
Dec 9	1 500	
Bal	1 500	

Equipment	
Dec 3	1 800
Bal	1 800

Accounts payable			
	Dec 4	4 200	
	5	900	
	Bal	5 100	

Electricity and gas expense		
Dec 12	250	
Bal	250	

Rent expense	
Dec 2	550
Bal	550

Req. 4

Draper Consulting		
Trial Balance		
18 December 2012		
ACCOUNT	DEBIT	CREDIT
Cash	\$16 500	
Accounts receivable	1 500	
Supplies	900	
Equipment	1 800	
Furniture	4 200	
Accounts payable		\$ 5 100
Draper, capital		18 000
Service revenue		2 600
Rent expense	550	
Electricity and gas expense	250	
Total	\$25 700	\$25 700

Apply Your Knowledge

Decision Cases

Decision Case 2-1

Reqs. 1 and 2

Cash			
(a)	10 000	(b)	300
(f)	1 200	(d)	2 500
Bal	8 400		

Accounts receivable			
(e)	8 800	(f)	1 200
Bal	7 600		

Supplies			
(b)	300		
Bal	300		

Accounts payable			
		(c)	700

Shee Boon capital			
		(a)	10 000

Service revenue			
		(e)	8 800

Salary expense			
(d)	1 400		

Rent expense			
(d)	1 100		

Advertising expense			
(c)	700		

(continued) Decision Case 2-1

Req. 3

Travel Planners		
Trial Balance		
30 June 2014		
ACCOUNT	DEBIT	CREDIT
Cash	\$ 8 400	
Accounts receivable	7 600	
Supplies	300	
Accounts payable		\$ 700
Shee Boon, capital		10 000
Service revenue		8 800
Salary expense	1 400	
Rent expense	1 100	
Advertising expense	700	
Total	<u>\$19 500</u>	<u>\$19 500</u>

Req. 4

Travel Planners

Revenues:		
Service revenue		\$8 800
Expenses:		
Salary expense	\$1 400	
Rent expense	1 100	
Advertising expense	<u>700</u>	
Total expenses		<u>3 200</u>
Profit for month		<u>\$5 600</u>

Recommendation: Discontinue the business, because profit falls below the target amount.

Req. 1

Double-entry bookkeeping has the advantage that it records both sides (the 'giving' side and the 'receiving' side) of a business transaction in the precise language of accounting, i.e. 'debits' and 'credits'. This allows for the exact description of balances in all accounts, and helps ensure that the entire system is always in balance.

Req. 2

The bank is not misusing the term *credit*. From the perspective of the bank's ledger, when you deposit money in the bank, the bank debits Cash (received from you) and credits a payable (payable to you on demand). It is this payable, a liability account, that is the source of the term *credit*. This is why a bank *credit* is good for the depositor. It means you have more money in the bank.

Focus on Ethics

Listing Dingo Downs on the ASX will mean greater public accountability and, in particular, greater levels of disclosure of financial and other information about the firm. It also requires attention to what is good corporate governance.

Listing on the ASX provides the benefit of greater access to potentially cheaper sources of long-term equity finance compared to debt finance. However, there are considerable costs of compliance to ASX listing rules.

The ASX requires compliance with IFRS and much additional detailed, continuous disclosure of events that may reflect on the interpretation of information contained in reports filed with the ASX. There are requirements for the disclosure of information about the remuneration of directors and other officers and many detailed rules concerning the periodic filing of financial information. There are additional requirements regarding the audit of annual reports and the certification of statements made concerning the business.

The ASX has issued detailed guidance on ethics and the governance of listed entities. Among the matters on which recommendations are given are disclosure of the functions of the Board, how performance of management is monitored and assessed, how management remuneration is determined, the code of conduct of the Board, company policy on continuous disclosure and financial risk management.

Listing therefore carries with it a considerable overhead.

Fraud Case

Req. 1

By changing an expense to an asset, the total expenses will decrease and profit will increase.

Req. 2

The CEO gained by earning a bonus, and the accounting manager may have gained by getting favourable treatment from the CEO. The shareholders of the firm lost, because the business paid out the bonus under fraudulent conditions.

Financial Statement Case

Req. 1

Journal					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Dec.	1	Cash & cash equivalents		60 000	
		Revenue			60 000
	9	Cash & cash equivalents		200 000	
		Borrowings			200 000
	12	Inventories		10 000	
		Trade and other payables			10 000
	22	Trade and other payables		5 000	
		Cash & cash equivalents (\$10 000 × ½)			5 000
	28	Administrative expenses		3 000	
		Cash & cash equivalents			3 000
	31	Borrowings		100 000	
		Finance costs		1 000	
		Cash & cash equivalents			101 000

Note: Some of the terms used in JB Hi-Fi financial statements appear as being slightly different to those used in your book: 'cash and cash equivalents' instead of 'cash', 'revenues' instead of 'sales revenue', 'borrowings' instead of 'loans payable' or 'bills payable', and 'finance costs' instead of 'interest expense'. The above terms are based on the JB Hi-Fi financial statements to 30 June 2011 and they may change over time.