SOLUTIONS TO EXERCISES—SET B

EXERCISE 2-1B

1. False. An account is an accounting record of a specific asset, liability, orstockholders’ 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 aseparate account.

4. False. An account has a left, or debit side, and a right, or credit side.

5. True.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 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 |

EXERCISE 2-2B

EXERCISE 2-3B

General Journal J1

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Account Titles and Explanation |  | Ref. |  | Debit |  | Credit |
| Jan. 2 |  | Cash |  |  |  | 15,000 |  |  |
|  |  | Common Stock |  |  |  |  |  | 15,000 |
|  |  |  |  |  |  |  |  |  |
| 3 |  | Equipment |  |  |  | 5,000 |  |  |
|  |  | Cash |  |  |  |  |  | 5,000 |
|  |  |  |  |  |  |  |  |  |
| 9 |  | Supplies |  |  |  | 400 |  |  |
|  |  | Accounts Payable |  |  |  |  |  | 400 |
|  |  |  |  |  |  |  |  |  |
| 11 |  | Accounts Receivable |  |  |  | 2,400 |  |  |
|  |  | Service Revenue |  |  |  |  |  | 2,400 |
|  |  |  |  |  |  |  |  |  |
| 16 |  | Advertising Expense |  |  |  | 250 |  |  |
|  |  | Cash |  |  |  |  |  | 250 |
|  |  |  |  |  |  |  |  |  |
| 20 |  | Cash |  |  |  | 800 |  |  |
|  |  | Accounts Receivable |  |  |  |  |  | 800 |
|  |  |  |  |  |  |  |  |  |
| 23 |  | Accounts Payable |  |  |  | 250 |  |  |
|  |  | Cash |  |  |  |  |  | 250 |
|  |  |  |  |  |  |  |  |  |
| 28 |  | Dividends |  |  |  | 1,300 |  |  |
|  |  | Cash |  |  |  |  |  | 1,300 |

EXERCISE 2-4B

Oct. 1 Debits increase assets: debit Cash $18,000.

Credits increase stockholders’ equity: credit Common Stock   
$18,000.

2 No transaction.

3 Debits increase assets: debit Equipment $1,900.

Credits increase liabilities: credit Accounts Payable $1,900.

EXERCISE 2-4B (Continued)

Oct. 6 Debits increase assets: debit Accounts Receivable $5,300.

Credits increase revenues: credit Service Revenue $5,300.

27 Debits decrease liabilities: debit Accounts Payable $900.

Credits decrease assets: credit Cash $900.

30 Debits increase expenses: debit Salaries and Wages Expense   
 $2,500.

Credits decrease assets: credit Cash $2,500.

EXERCISE 2-5B

General Journal

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Account Titles and Explanation |  | Ref. |  | Debits |  | Credit |
| Oct. 1 |  | Cash |  |  |  | 18,000 |  |  |
|  |  | Common Stock |  |  |  |  |  | 18,000 |
|  |  |  |  |  |  |  |  |  |
| 2 |  | No entry. |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| 3 |  | Equipment |  |  |  | 1,900 |  |  |
|  |  | Accounts Payable |  |  |  |  |  | 1,900 |
|  |  |  |  |  |  |  |  |  |
| 6 |  | Accounts Receivable |  |  |  | 5,300 |  |  |
|  |  | Service Revenue |  |  |  |  |  | 5,300 |
|  |  |  |  |  |  |  |  |  |
| 27 |  | Accounts Payable |  |  |  | 900 |  |  |
|  |  | Cash |  |  |  |  |  | 900 |
|  |  |  |  |  |  |  |  |  |
| 30 |  | Salaries and Wages Expense |  |  |  | 2,500 |  |  |
|  |  | Cash |  |  |  |  |  | 2,500 |

EXERCISE 2-6B

(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 6,000

Notes Payable 6,000

2. Equipment 2,800

Cash 2,800

3. Supplies 400

Accounts Payable 400

EXERCISE 2-7B

(a) Assets = Liabilities + Stockholders’ Equity

1. + + (Issue stock)

2. – – (Expense)

3. + + (Revenue)

4. – – (Dividends)

(b) 1. Cash 7,000

Common Stock 7,000

2. Rent Expense 1,800

Cash 1,800

3. Accounts Receivable 6,800

Service Revenue 6,800

4. Dividends 800

Cash 800

EXERCISE 2-8B

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 ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

EXERCISE 2-9B

(a)

|  |  |
| --- | --- |
| Cash | |
| Aug. 1 6,000 | Aug. 12 3,000 |
| 10 2,800 |  |
| 31 900 |  |
| Bal. 6,700 |  |

|  |  |
| --- | --- |
| Accounts Receivable | |
| Aug. 25 1,500 | Aug. 31 900 |
| Bal. 600 |  |

|  |  |
| --- | --- |
| Equipment | |
| Aug. 12 5,000 |  |
| Notes Payable | |
|  | Aug. 12 2,000 |

|  |  |
| --- | --- |
| Common Stock | |
|  | Aug. 1 6,000 |

|  |  |
| --- | --- |
| Service Revenue | |
|  | Aug. 10 2,800 |
|  | 25 1,500 |
|  | Bal. 4,300 |

(b) WILL POST, INVESTMENT BROKER

Trial Balance

August 31, 2019

Debit Credit

Cash $ 6,700

Accounts Receivable 600

Equipment 5,000

Notes Payable $ 2,000

Common Stock 6,000

Service Revenue               4,300

$12,300 $12,300

EXERCISE 2-10B

(a)

General Journal

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Account Titles and Explanation |  | Ref. |  | Debit |  | Credit |
| Apr. 1 |  | Cash  Common Stock  (Issued shares of stock  for cash) |  |  |  | 18,000 |  | 18,000 |
|  |  |  |  |  |  |  |  |  |
| 12 |  | Cash  Service Revenue  (Received cash for  services performed) |  |  |  | 800 |  | 800 |
|  |  |  |  |  |  |  |  |  |
| 15 |  | Salaries and Wages Expense  Cash  (Paid salaries to date) |  |  |  | 700 |  | 700 |
|  |  |  |  |  |  |  |  |  |
| 25 |  | Accounts Payable  Cash  (Paid creditors on account) |  |  |  | 1,400 |  | 1,400 |
|  |  |  |  |  |  |  |  |  |
| 29 |  | Cash  Accounts Receivable  (Received cash in payment  of account) |  |  |  | 700 |  | 700 |
|  |  |  |  |  |  |  |  |  |
| 30 |  | Cash  Unearned Service Revenue  (Received cash for future  services) |  |  |  | 1,200 |  | 1,200 |

EXERCISE 2-10B (Continued)

(b) GARFUNKLE LANDSCAPING COMPANY

Trial Balance

April 30, 2019

Debit Credit

Cash $18,600

Accounts Receivable 3,100

Supplies 1,900

Accounts Payable $ 500

Unearned Service Revenue 1,200

Common Stock 18,000

Service Revenue 4,600

Salaries and Wages Expense 700

$24,300 $24,300

EXERCISE 2-11B

(a) Oct. 1 Cash 5,000

Common Stock 5,000

(Issued shares of stock for cash)

10 Cash 930

Service Revenue 930

(Received cash for services  
 performed)

10 Cash 2,000

Notes Payable 2,000

(Obtained loan from bank)

20 Cash 700

Accounts Receivable 700

(Received cash in payment of  
 account)

20 Accounts Receivable 880

Service Revenue 880

(Billed clients for services  
 performed)

EXERCISE 2-11B (Continued)

(b) GEORGIA CO.

Trial Balance

October 31, 2019

  Debit     Credit

Cash $ 8,100

Accounts Receivable 980

Supplies 400

Equipment 2,500

Notes Payable $ 2,000

Accounts Payable 1,300

Common Stock 7,500

Dividends 380

Service Revenue 2,610

Salaries and Wages Expense 700

Rent Expense 350

$13,410 $13,410

EXERCISE 2-12B

(a)

General Journal J1

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Account Titles and Explanation |  | Ref. |  | Debit |  | Credit |
| Sept. 1 |  | Cash  Common Stock |  | 101  311 |  | 13,000 |  | 13,000 |
|  |  |  |  |  |  |  |  |  |
| 5 |  | Equipment  Cash  Accounts Payable |  | 157  101  201 |  | 14,000 |  | 4,000  10,000 |
|  |  |  |  |  |  |  |  |  |
| 25 |  | Accounts Payable  Cash |  | 201  101 |  | 5,000 |  | 5,000 |
|  |  |  |  |  |  |  |  |  |
| 30 |  | Dividends  Cash |  | 332  101 |  | 800 |  | 800 |
|  |  |  |  |  |  |  |  |  |

EXERCISE 2-12B (Continued)

(b)

Cash No. 101

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| Sept. 1 |  |  |  | J1 |  | 13,000 |  |  |  | 13,000 |
| 5 |  |  |  | J1 |  |  |  | 4,000 |  | 9,000 |
| 25 |  |  |  | J1 |  |  |  | 5,000 |  | 4,000 |
| 30 |  |  |  | J1 |  |  |  | 800 |  | 3,200 |

Equipment No. 157

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| Sept. 5 |  |  |  | J1 |  | 14,000 |  |  |  | 14,000 |

Accounts Payable No. 201

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| Sept. 5 |  |  |  | J1 |  |  |  | 10,000 |  | 10,000 |
| 25 |  |  |  | J1 |  | 5,000 |  |  |  | 5,000 |

Common Stock No. 311

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance |
| Sept. 1 |  |  |  | J1 |  |  |  | 13,000 |  | 13,000 |

Dividends No. 332

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date |  | Explanation |  | Ref. |  | Debit |  | Credit |  | Balance | |
| Sept. 30 |  |  |  | J1 |  | 800 |  |  |  | | 800 |

EXERCISE 2-13B

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Error |  | (a)  In Balance |  | (b)  Difference |  | (c)  Larger Column |
| 1. |  | No |  | $400 |  | Debit |
| 2. |  | Yes |  | — |  | — |
| 3. |  | Yes |  | — |  | — |
| 4. |  | No |  | 500 |  | Credit |
| 5. |  | Yes |  | — |  | — |
| 6. |  | No |  | 18 |  | Credit |

EXERCISE 2-14B

AYALA DELIVERY SERVICE

Trial Balance

July 31, 2019

  Debit     Credit

Cash ($77,907 – Debit total without Cash  
 $62,340) $15,567

Accounts Receivable 8,642

Prepaid Insurance 1,968

Equipment 45,360

Notes Payable $18,450

Accounts Payable 6,396

Salaries and Wages Payable 815

Common Stock 35,000

Retained Earnings 4,636

Dividends 700

Service Revenue 12,610

Salaries and Wages Expense 3,428

Maintenance and Repairs Expense 961

Gasoline Expense 758

Utilities Expense 523

$77,907 $77,907