**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.**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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**