**Chapter 2**

**Recording Business Transactions**

***Review Questions***

1. The three categories of the accounting equation are assets, liabilities, and equity. Assets include Cash, Accounts Receivable, Notes Receivable, Prepaid Expenses, Land, Building, Equipment, Furniture, and Fixtures. Liabilities include Accounts Payable, Notes Payable, Accrued Liability, and Unearned Revenue. Equity includes Owner’s Capital, Owner’s Withdrawals, Revenue, and Expenses.
2. Companies need a way to organize their accounts so they use a chart of accounts. Accounts starting with 1 are usually Assets, 2 – Liabilities, 3 – Equity, 4 – Revenues, and 5 – Expenses. The second and third digits in account number indicate where the account fits within the category.
3. A chart of accounts and a ledger are similar in that they both list the account names and account numbers of the business. A ledger, though, provides more detail. It includes the increases and decreases of each account for a specific period and the balance of each account at a specific point in time.
4. With a double-entry you need to record the dual effects of each transaction. Every transaction affects at least two accounts.
5. A T-account is a shortened form of each account in the ledger. The debit is on the left side, credit on the right side, and the account name is shown on top.
6. Debits are increases for assets, owner’s withdrawals, and expenses. Debits are decreases for liabilities, owner’s capital, and revenue.
7. Credits are increases for liabilities, owner’s capital, and revenue. Credits are decreases for assets, owner’s withdrawal, and expenses.
8. Assets, owner’s withdrawal, and expenses have a normal debit balance. Liabilities, owner’s capital, and revenue have a normal credit balance.
9. Source documents provide the evidence and data for accounting transactions. Examples of source documents a business would have are: bank deposit slips, purchase invoices, bank checks, and sales invoices
10. Transactions are first recorded in a journal, which is the record of transactions in date order.
11. Step 1: Identify the accounts and the account type. You need this information before you can complete the next step. Step 2: Decide if each account increases or decreases using the rules of debits and credits. Reviewing the rules of debits and credits, we use the accounting equation to help determine debits and credits for each account. Step 3: Record transactions in the journal using journal entries. Step 4: Post the journal entry to the ledger. When journal entries are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns to the specific accounts in the ledger. The date on the journal entry should also be transferred to the accounts in the ledger. Step 5: Determine whether the accounting equation is in balance. After each entry the accounting equation should always be in balance.
12. Part 1: Date of the transaction. Part 2: Debit account name and dollar amount. Part 3: Credit account name and dollar amount. The credit account name is indented. Part 4: Brief explanation.
13. When transactions are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns to the specific accounts in the ledger. The date of the journal entry is also transferred to the accounts in the ledger. The posting reference columns in the journal and ledger are also completed. In a computerized system, this step is completed automatically when the transaction is recorded in the journal.
14. The trial balance is used to prove the equality of total debits and total credits of all accounts in the ledger; it is also used to prepare the financial statements.
15. A trial balance verifies the equality of total debits and total credits of all accounts on the trial balance and is an internal document used only by employees of the company. The balance sheet, on the other hand, presents the business’s accounting equation and is a financial statement that can be used by both internal and external users.
16. If total debits equal total credits on the trial balance, it does not mean that the trial balance is error-free. An incorrect amount could have been used, an entry could have been completely missed, or the wrong account title could have been debited or credited .
17. The debt ratio is calculated by dividing total liabilities by total assets and shows the proportion of assets financed with debt. It can be used to evaluate a business’s ability to pay its debts.

***Short Exercises***

**S2-1**

|  |  |
| --- | --- |
| a. Notes Receivable **(A)** | f. Taxes Payable **(L)** |
| b. Nations, Capital **(E)** | g. Rent Expense **(E)** |
| c. Prepaid Insurance **(A)** | h. Furniture **(A)** |
| d. Notes Payable **(L)** | i. Nations, Withdrawals **(E)** |
| e. Rent Revenue **(E)** | j. Unearned Revenue **(L)** |

**S2-2**

|  |  |
| --- | --- |
| a. Increase to Accounts Receivable **(DR)** | f. Decrease to Prepaid Rent **(CR)** |
| b. Decrease to Unearned Revenue **(DR)** | g. Increase to Perez, Capital **(CR)** |
| c. Decrease to Cash **(CR)** | h. Increase to Notes Receivable **(DR)** |
| d. Increase to Interest Expense **(DR)** | i. Decrease to Accounts Payable **(DR)** |
| e. Increase to Salaries Payable **(CR)** | j. Increase to Interest Revenue **(CR)** |

**S2-3**

|  |  |
| --- | --- |
| a. Notes Payable **(CR)** | f. Harris, Capital **(CR)** |
| b. Harris, Withdrawals **(DR)** | g. Utilities Expense **(DR)** |
| c. Service Revenue **(CR)** | h. Office Supplies **(DR)** |
| d. Land **(DR)** | i. Advertising Expense **(DR)** |
| e. Unearned Revenue **(CR)** | j. Interest Payable **(CR)** |

**S2-4**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Jan. 1 | Cash | 29,000 |  |
|  | Brown, Capital |  | 29,000 |
|  | *Received cash from Brown in exchange for capital.* |  |  |
|  |  |  |  |
| 2 | Medical Supplies | 14,000 |  |
|  | Accounts Payable |  | 14,000 |
|  | *Purchased medical supplies on account.* |  |  |
|  |  |  |  |
| 4 | Cash | 1,400 |  |
|  | Service Revenue |  | 1,400 |
|  | *Performed services for patients.* |  |  |
|  |  |  |  |
| 12 | Rent Expense | 2,600 |  |
|  | Cash |  | 2,600 |
|  | *Paid rent with cash.* |  |  |
|  |  |  |  |
| 15 | Accounts Receivable | 8,000 |  |
|  | Service Revenue |  | 8,000 |
|  | *Performed services for patients on account.* |  |  |
|  |  |  |  |

**S2-5**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Jan. 22 | Accounts Receivable | 8,000 |  |
|  | Service Revenue |  | 8,000 |
|  | *Performed services for customers on account.* |  |  |
|  |  |  |  |
| 30 | Cash | 7,000 |  |
|  | Accounts Receivable |  | 7,000 |
|  | *Received cash on account from customers.* |  |  |
|  |  |  |  |
| 31 | Utilities Expense | 180 |  |
|  | Utilities Payable |  | 180 |
|  | *Received a utility bill due in February.* |  |  |
|  |  |  |  |
| 31 | Salaries Expense | 2,000 |  |
|  | Cash |  | 2,000 |
|  | *Paid monthly salary to salesman.* |  |  |
|  |  |  |  |
| 31 | Cash | 1,500 |  |
|  | Unearned Revenue |  | 1,500 |
|  | *Received 3 months consulting services in advance.* |  |  |
|  |  |  |  |
| 31 | Hansen, Withdrawals | 1,000 |  |
|  | Cash |  | 1,000 |
|  | *Owner withdrawal of cash.* |  |  |
|  |  |  |  |

**S2-6**

|  |  |
| --- | --- |
| Accounts Payable | |
| May 2 6,000 | 14,000 May 1 |
| May 22 12,000 | 1,000 May 5 |
|  | 7,000 May 15 |
|  | 500 May 23 |
|  | 4,500 Bal. |

**S2-7**

**Requirement 1**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Mar. 15 | Office Supplies | 3,400 |  |
|  | Accounts Payable |  | 3,400 |
|  | *Purchased office supplies on account.* |  |  |
|  |  |  |  |
| 28 | Accounts Payable | 1,200 |  |
|  | Cash |  | 1,200 |
|  | *Paid cash on account.* |  |  |
|  |  |  |  |

**Requirement 2**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Cash | |  |  |  | Accounts Payable | |  |
| Bal. | 14,000 | 1,200 | Mar. 28 |  | Mar. 28 | 1,200 | 3,400 | Mar. 15 |
| Bal. | 12,800 |  |  |  |  |  | 2,200 | Bal. |
|  |  |  |  |  |  |  |  |  |
|  | Office Supplies | |  |  |  |  |  |  |
| Mar. 15 | 3,400 |  |  |  |  |  |  |  |
| Bal. | 3,400 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**S2-8**

|  |  |  |
| --- | --- | --- |
| OAKLAND FLOOR COVERINGS | | |
| Trial Balance | | |
| December 31, 2014 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 8,000 |  |
| Accounts Receivable | 4,000 |  |
| Equipment | 45,000 |  |
| Accounts Payable |  | $ 2,000 |
| Salaries Payable |  | 12,000 |
| Interest Payable |  | 6,000 |
| Oakland, Capital |  | 22,000 |
| Oakland, Withdrawals | 1,800 |  |
| Service Revenue |  | 34,000 |
| Rent Expense | 14,000 |  |
| Salaries Expense | 2,000 |  |
| Utilities Expense | 1,200 |  |
| Total | **$ 76,000** | **$ 76,000** |
|  |  |  |

**S2-9**

Debt ratio = Total liabilities / Total assets = $69,000 / $230,000 = 0.30 = 30%

***Exercises***

**E2-10**

|  |
| --- |
| 1. g |
| 1. a |
| 1. e |
| 1. d |
| 1. j |
| 1. i |
| 1. f |
| 1. b |
| 1. h |
| 1. c |

**E2-11**

|  |  |
| --- | --- |
| Assets | Equity |
| 100 – Cash | 300 – Richard, Capital |
| 110 – Automotive Supplies | 310 – Richard, Withdrawals |
| 120 – Equipment |  |
|  | Revenues |
| Liabilities | 400 – Service Revenue |
| 200 – Accounts Payable |  |
| 210 – Unearned Revenue | Expenses |
|  | 500 – Utilities Expense |
|  | 510 – Advertising Expense |
|  |  |

**E2-12**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Requirement 1** | **Requirement 2** | **Requirement 3** |
|  | **Account Name** | **Type of Account** | **Increase with Debit/Credit** | **Normal Balance**  **Debit/Credit** |
| a. | Interest Revenue | E | CR | CR |
| b. | Accounts Payable | L | CR | CR |
| c. | Chapman, Capital | E | CR | CR |
| d. | Office Supplies | A | DR | DR |
| e. | Advertising Expense | E | DR | DR |
| f. | Unearned Revenue | L | CR | CR |
| g. | Prepaid Rent | A | DR | DR |
| h. | Utilities Expense | E | DR | DR |
| i. | Chapman, Withdrawals | E | DR | DR |
| j. | Service Revenue | E | CR | CR |

**E2-13**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Assets | | = | Liabilities | | + | 1. Equity | | | | | | | | | | |
|  | |  |  | |  |  | |  |  |  |  |  |  |  |  |  |
| Assets | | = | 1. Liabilities | | + | Owner's  Capital | | – | (d) Owner's Withdrawals | | + | Revenues | | – | Expenses | |
| (e) Incr. | Decr. |  | Decr. | (f) Incr. |  | (g) Decr. | (h) Incr. |  | (i) Incr. | (j) Decr. |  | (k) Decr. | (l) Incr. |  | Incr. | (m) Decr. |
| Debit | (n) Credit |  | (o) Debit | Credit |  | (p) Debit | Credit |  | (q) Debit | Credit |  | Debit | Credit |  | (r) Debit | Credit |

1. Assets
2. Equity
3. Liabilities
4. Owner's Withdrawals
5. Incr.
6. Incr.
7. Decr.
8. Incr.
9. Incr.
10. Decr.
11. Decr.
12. Incr.
13. Decr.
14. Credit
15. Debit
16. Debit
17. Debit
18. Debit

**E2-14**

1. Bank deposit slip
2. Purchase invoice
3. Sales invoice

**E2-15**

a. Purchased equipment with cash.

b. The owner, Fernandez, withdrew cash from the business.

c. Paid wages owed to employees, previously recorded.

d. The owner, Fernandez, gave equipment to the business in exchange for capital.

e. Received cash from customer for work to be completed in the future.

f. Paid for advertising with cash.

g. Performed services that were paid by the customer.

**E2-16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Jul. 2 | Cash | 10,000 |  |
|  | London, Capital |  | 10,000 |
|  | *Owner contributed cash to business in exchange for capital.* |  |  |
|  |  |  |  |
| 4 | Utilities Expense | 400 |  |
|  | Cash |  | 400 |
|  | *Paid utility expense.* |  |  |
|  |  |  |  |
| 5 | Equipment | 2,100 |  |
|  | Accounts Payable |  | 2,100 |
|  | *Purchased equipment on account.* |  |  |
|  |  |  |  |
| 10 | Accounts Receivable | 2,000 |  |
|  | Service Revenue |  | 2,000 |
|  | *Performed services for client on account.* |  |  |
|  |  |  |  |
| 12 | Cash | 7,000 |  |
|  | Notes Payable |  | 7,000 |
|  | *Borrowed cash by signing note.* |  |  |
|  |  |  |  |
| 19 | London, Withdrawals | 500 |  |
|  | Cash |  | 500 |
|  | *Owner withdrew money from the business.* |  |  |
|  |  |  |  |

**E2-16, cont.**

|  |  |  |  |
| --- | --- | --- | --- |
| 21 | Office Supplies | 800 |  |
|  | Cash |  | 800 |
|  | *Purchased office supplies with cash.* |  |  |
|  |  |  |  |
| 27 | Accounts Payable | 2,100 |  |
|  | Cash |  | 2,100 |
|  | *Paid cash on account.* |  |  |
|  |  |  |  |

**E2-17**

**Requirements 1, 2, and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Jul. 2 10,000 | 400 Jul. 4 |  | Jul. 27 2,100 | 2,100 Jul. 5 |
| Jul. 12 7,000 | 500 Jul. 19 |  |  | 0 Balance |
|  | 800 Jul. 21 |  |  |  |
|  | 2,100 Jul. 27 |  |  |  |
| Balance 13,200 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Notes Payable | |
| Jul. 10 2,000 |  |  |  | 7,000 Jul. 12 |
| Balance 2,000 |  |  |  | 7,000 Balance |
|  |  |  |  |  |
| Office Supplies | |  | London, Capital | |
| Jul. 21 800 |  |  |  | 10,000 Jul. 2 |
| Balance 800 |  |  |  | 10,000 Balance |
|  |  |  |  |  |
| Equipment | |  | London, Withdrawals | |
| Jul. 5 2,100 |  |  | Jul. 19 500 |  |
| Balance 2,100 |  |  | Balance 500 |  |
|  |  |  |  |  |
|  |  |  | Service Revenue | |
|  |  |  |  | 2,000 Jul. 10 |
|  |  |  |  | 2,000 Balance |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Jul. 4 400 |  |
|  |  |  | Balance 400 |  |
|  |  |  |  |  |

**E2-18**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** |
| May 1 | Cash |  | 75,000 |  |
|  | Ward, Capital. |  |  | 75,000 |
|  | *Owner contributed cash to business in exchange for capital.* |  |  |  |
|  |  |  |  |  |
| 2 | Office Supplies |  | 500 |  |
|  | Accounts Payable |  |  | 500 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 4 | Building |  | 45,000 |  |
|  | Land |  | 8,000 |  |
|  | Cash |  |  | 53,000 |
|  | *Purchased building and land for cash.* |  |  |  |
|  |  |  |  |  |
| 6 | Cash |  | 2,600 |  |
|  | Service Revenue |  |  | 2,600 |
|  | *Performed services for customers for cash.* |  |  |  |
|  |  |  |  |  |
| 9 | Accounts Payable |  | 400 |  |
|  | Cash |  |  | 400 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 17 | Accounts Receivable |  | 2,500 |  |
|  | Service Revenue |  |  | 2,500 |
|  | *Performed services for customers on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Rent Expense |  | 900 |  |
|  | Cash |  |  | 900 |
|  | *Paid rent for the month.* |  |  |  |
|  |  |  |  |  |
| 20 | Cash |  | 1,200 |  |
|  | Unearned Revenue |  |  | 1,200 |
|  | *Received cash from customers for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 21 | Prepaid Advertising |  | 500 |  |
|  | Cash |  |  | 500 |
|  | *Paid for next month’s advertising.* |  |  |  |
|  |  |  |  |  |

**E2-18, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 23 | Cash |  | 1,900 |  |
|  | Accounts Receivable |  |  | 1,900 |
|  | *Received cash on account from customer.* |  |  |  |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 1,100 |  |
|  | Cash |  |  | 1,100 |
|  | *Paid salaries.* |  |  |  |
|  |  |  |  |  |

**E2-19**

**Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** |
| May 1 | Cash | 110 | 75,000 |  |
|  | Ward, Capital | 310 |  | 75,000 |
|  | *Owner contributed cash to business in exchange for capital.* |  |  |  |
|  |  |  |  |  |
| 2 | Office Supplies | 130 | 500 |  |
|  | Accounts Payable | 210 |  | 500 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 4 | Building | 150 | 45,000 |  |
|  | Land | 160 | 8,000 |  |
|  | Cash | 110 |  | 53,000 |
|  | *Purchased building and land for cash.* |  |  |  |
|  |  |  |  |  |
| 6 | Cash | 110 | 2,600 |  |
|  | Service Revenue | 410 |  | 2,600 |
|  | *Performed services for customers for cash.* |  |  |  |
|  |  |  |  |  |
| 9 | Accounts Payable | 210 | 400 |  |
|  | Cash | 110 |  | 400 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 17 | Accounts Receivable | 120 | 2,500 |  |
|  | Service Revenue | 410 |  | 2,500 |
|  | *Performed services for customers on account.* |  |  |  |
|  |  |  |  |  |

**E2-19, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 19 | Rent Expense | 510 | 900 |  |
|  | Cash | 110 |  | 900 |
|  | *Paid rent for the month.* |  |  |  |
|  |  |  |  |  |
| 20 | Cash | 110 | 1,200 |  |
|  | Unearned Revenue | 220 |  | 1,200 |
|  | *Received cash from customers for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 21 | Prepaid Advertising | 140 | 500 |  |
|  | Cash | 110 |  | 500 |
|  | *Paid for next month’s advertising.* |  |  |  |
|  |  |  |  |  |
| 23 | Cash | 110 | 1,900 |  |
|  | Accounts Receivable | 120 |  | 1,900 |
|  | *Received cash on account from customer.* |  |  |  |
|  |  |  |  |  |
| 31 | Salaries Expense | 520 | 1,100 |  |
|  | Cash | 110 |  | 1,100 |
|  | *Paid salaries.* |  |  |  |
|  |  |  |  |  |

**Requirements 1 and 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 110 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 1 |  | J10 | 75,000 |  | 75,000 |  |
| May 4 |  | J10 |  | 53,000 | 22,000 |  |
| May 6 |  | J10 | 2,600 |  | 24,600 |  |
| May 9 |  | J10 |  | 400 | 24,200 |  |
| May 19 |  | J10 |  | 900 | 23,300 |  |
| May 20 |  | J10 | 1,200 |  | 24,500 |  |
| May 21 |  | J10 |  | 500 | 24,000 |  |
| May 23 |  | J10 | 1,900 |  | 25,900 |  |
| May 31 |  | J10 |  | 1,100 | 24,800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 120 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 17 |  | J10 | 2,500 |  | 2,500 |  |
| May 23 |  | J10 |  | 1,900 | 600 |  |

**E2-19, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 130 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 2 |  | J10 | 500 |  | 500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PREPAID ADVERTISING | | | | | Account No. 140 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 21 |  | J10 | 500 |  | 500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 150 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 4 |  | J10 | 45,000 |  | 45,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 160 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 4 |  | J10 | 8,000 |  | 8,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 210 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 2 |  | J10 |  | 500 |  | 500 |
| May 9 |  | J10 | 400 |  |  | 100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 220 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 20 |  | J10 |  | 1,200 |  | 1,200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| WARD, CAPITAL | | | | | Account No. 310 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 1 |  | J10 |  | 75,000 |  | 75,000 |

**E2-19, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 410 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 6 |  | J10 |  | 2,600 |  | 2,600 |
| May 17 |  | J10 |  | 2,500 |  | 5,100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 510 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 19 |  | J10 | 900 |  | 900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 520 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 31 |  | J10 | 1,100 |  | 1,100 |  |

**E2-20**

|  |
| --- |
| 1. The business received cash of $370,000 from the owner and gave capital to Cougliato, the owner. |
| 1. Paid $360,000 cash for a building. |
| 1. Borrowed $260,000 cash, signing a notes payable. |
| 1. Purchased office supplies on account, $1,500. |
| 1. Paid $1,200 on accounts payable. |
| 1. Paid property tax expense, $1,500. |
| 1. Paid rent $1,400 and salaries $2,500. |
| 1. The owner, Cougliato withdrew $7,000 cash from the business. |
| 1. Performed services for customers and received cash, $21,000. |

**E2-21**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| 1. | Cash |  | 53,000 |  |
|  | Adams, Capital |  |  | 53,000 |
|  | *Owner contributed cash to business in exchange for capital.* |  |  |  |
|  |  |  |  |  |
| 2. | Office Supplies |  | 700 |  |
|  | Accounts Payable |  |  | 700 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 3. | Building |  | 40,000 |  |
|  | Cash |  |  | 40,000 |
|  | *Purchased building for cash.* |  |  |  |
|  |  |  |  |  |
| 4. | Cash |  | 50,000 |  |
|  | Notes Payable |  |  | 50,000 |
|  | *Borrowed money signing a note payable.* |  |  |  |
|  |  |  |  |  |
| 5. | Equipment |  | 4,700 |  |
|  | Cash |  |  | 4,700 |
|  | *Purchased equipment for cash.* |  |  |  |
|  |  |  |  |  |

**E2-22**

|  |  |  |
| --- | --- | --- |
| ATKINS MOVING COMPANY | | |
| Trial Balance | | |
| August 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 4,000 |  |
| Accounts Receivable | 8,800 |  |
| Office Supplies | 300 |  |
| Trucks | 132,000 |  |
| Building | 48,000 |  |
| Accounts Payable |  | $ 4,000 |
| Notes Payable |  | 54,000 |
| Atkins, Capital |  | 72,000 |
| Atkins, Withdrawals | 5,400 |  |
| Service Revenue |  | 80,000 |
| Salaries Expense | 7,000 |  |
| Fuel Expense | 3,000 |  |
| Insurance Expense | 600 |  |
| Utilities Expense | 500 |  |
| Advertising Expense | 400 |  |
| Total | **$ 210,000** | **$ 210,000** |
|  |  |  |

**E2-23**

|  |  |  |
| --- | --- | --- |
| MCDONALD FARM EQUIPMENT REPAIR | | |
| Trial Balance | | |
| May 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 2,400 |  |
| Accounts Receivable | 3,700 |  |
| Equipment | 14,000 |  |
| Building | 35,000 |  |
| Land | 10,000 |  |
| Accounts Payable |  | $ 4,000 |
| Notes Payable |  | 30,000 |
| McDonald, Capital |  | 34,000 |
| McDonald, Withdrawals | 1,800 |  |
| Service Revenue |  | 6,500 |
| Salaries Expense | 6,500 |  |
| Property Tax Expense | 800 |  |
| Advertising Expense | 300 |  |
| Total | **$ 74,500** | **$ 74,500** |
|  |  |  |

**E2-24**

**Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post Ref.** | **Debit** | **Credit** |
| June 1 | Cash | 110 | 14,000 |  |
|  | Office Furniture | 140 | 5,200 |  |
|  | Parker, Capital | 310 |  | 19,200 |
|  |  |  |  |  |
| 5 | Rent Expense | 520 | 1,500 |  |
|  | Cash | 110 |  | 1,500 |
|  |  |  |  |  |
| 9 | Office Supplies | 130 | 900 |  |
|  | Accounts Payable | 210 |  | 900 |
|  |  |  |  |  |
| 14 | Salaries Expense | 510 | 1,700 |  |
|  | Cash | 110 |  | 1,700 |
|  |  |  |  |  |
| 18 | Utilities Expense | 530 | 250 |  |
|  | Utilities Payable | 220 |  | 250 |
|  |  |  |  |  |

**E2-24, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 21 | Accounts Payable | 210 | 700 |  |
|  | Cash | 110 |  | 700 |
|  |  |  |  |  |
| 25 | Accounts Receivable | 120 | 5,900 |  |
|  | Service Revenue | 410 |  | 5,900 |
|  |  |  |  |  |
| 28 | Parker, Withdrawals | 320 | 6,700 |  |
|  | Cash | 110 |  | 6,700 |
|  |  |  |  |  |

**Requirements 1 & 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 110 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 1 |  | J10 | 14,000 |  | 14,000 |  |
| June 5 |  | J10 |  | 1,500 | 12,500 |  |
| June 14 |  | J10 |  | 1,700 | 10,800 |  |
| June 21 |  | J10 |  | 700 | 10,100 |  |
| June 28 |  | J10 |  | 6,700 | 3,400 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 120 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 25 |  | J10 | 5,900 |  | 5,900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 130 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 9 |  | J10 | 900 |  | 900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE FURNITURE | | | | | Account No. 140 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 1 |  | J10 | 5,200 |  | 5,200 |  |

**E2-24, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 210 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 9 |  | J10 |  | 900 |  | 900 |
| June 21 |  | J10 | 700 |  |  | 200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 220 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 18 |  | J10 |  | 250 |  | 250 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PARKER, CAPITAL | | | | | Account No. 310 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 1 |  | J10 |  | 19,200 |  | 19,200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PARKER, WITHDRAWALS | | | | | Account No. 320 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 28 |  | J10 | 6,700 |  | 6,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 410 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 25 |  | J10 |  | 5,900 |  | 5,900 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 510 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 14 |  | J10 | 1,700 |  | 1,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 520 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 5 |  | J10 | 1,500 |  | 1,500 |  |

**E2-24, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES EXPENSE | | | | | Account No. 530 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 18 |  | J10 | 250 |  | 250 |  |

**Requirement 3**

|  |  |  |  |
| --- | --- | --- | --- |
| TERESA PARKER, CPA | | | |
| Trial Balance | | | |
| June 30, 2015 | | | |
|  |  | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 110 | Cash | $ 3,400 |  |
| 120 | Accounts Receivable | 5,900 |  |
| 130 | Office Supplies | 900 |  |
| 140 | Office Furniture | 5,200 |  |
| 210 | Accounts Payable |  | $ 200 |
| 220 | Utilities Payable |  | 250 |
| 310 | Parker, Capital |  | 19,200 |
| 320 | Parker, Withdrawals | 6,700 |  |
| 410 | Service Revenue |  | 5,900 |
| 510 | Salaries Expense | 1,700 |  |
| 520 | Rent Expense | 1,500 |  |
| 530 | Utilities Expense | 250 |  |
|  | Total | **$ 25,550** | **$ 25,550** |
|  |  |  |  |

**E2-25**

**Requirements 1 and 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Debits equal Credits,**  **Yes or No** | **Accounts** | **Amount** | **High or Low** |
| **a.** | No | Notes Payable | $7,000 | Low |
| **b.** | No | Utilities Expense | 810 | High |
| **c.** | Yes | Furniture | 800 | High |
|  |  | Accounts Payable | 800 | High |
| **d.** | No | Cash | 1,080 | High |
| **e.** | Yes | Office Supplies | 90 | Low |
|  |  | Accounts Payable | 90 | Low |

**E2-26**

|  |  |  |
| --- | --- | --- |
| METRO PAINTING SPECIALISTS | | |
| Trial Balance | | |
| November 30, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 12,600 |  |
| Accounts Receivable | 1,200 |  |
| Office Supplies | 200 |  |
| Painting Equipment | 14,500 |  |
| Accounts Payable |  | $ 3,500 |
| Unearned Revenue |  | 2,000 |
| White, Capital |  | 15,000 |
| White, Withdrawals | 7,000 |  |
| Service Revenue |  | 19,750 |
| Advertising Expense | 550 |  |
| Rent Expense | 1,800 |  |
| Salaries Expense | 2,100 |  |
| Utilities Expense | 300 |  |
| Total | **$ 40,250** | **$ 40,250** |
|  |  |  |

**E2-27**

|  |  |  |
| --- | --- | --- |
| JOY MCDOWELL TUTORING SERVICE | | |
| Trial Balance | | |
| May 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 3,500 |  |
| Accounts Receivable | 1,500 |  |
| Office Supplies | 600 |  |
| Computer Equipment | 15,800 |  |
| Accounts Payable |  | $ 12,000 |
| Utilities Payable |  | 700 |
| McDowell, Capital |  | 12,200 |
| McDowell, Withdrawals | 10,000 |  |
| Service Revenue |  | 9,800 |
| Salaries Expense | 1,700 |  |
| Rent Expense | 700 |  |
| Utilities Expense | 900 |  |
| Total | **$ 34,700** | **$ 34,700** |
|  |  |  |

Explanation:

a. Increase Cash by $500, decrease Accounts Receivable by $500.

b. Increase Accounts Payable by $900 ($1,000 – $100).

c. Increase Utilities Expense and Utilities Payable by $400 each.

d. Increase McDowell, Capital by $600.

**E2-28**

|  |  |
| --- | --- |
| Liabilities: |  |
| Accounts Payable | $ 2,000 |
| Utilities Payable | 935 |
| Unearned Revenue | 14,000 |
| Notes Payable | 75,000 |
| Total liabilities | $ 91,935 |

|  |  |
| --- | --- |
| Assets: |  |
| Cash | $ 35,000 |
| Accounts Receivable | 7,250 |
| Office Supplies | 3,000 |
| Office Equipment | 25,000 |
| Building | 80,000 |
| Land | 20,000 |
| Total assets | $ 170,250 |

Debt ratio = Total liabilities / Total assets = $91,935 / $170,250 = 0.54 = 54%

***Problems (Group A)***

**P2-29A  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post Ref.** | **Debit** | **Credit** |
| July 1 | Cash |  | 68,000 |  |
|  | Yung, Capital |  |  | 68,000 |
|  |  |  |  |  |
| 5 | Rent Expense |  | 560 |  |
|  | Cash |  |  | 560 |
|  |  |  |  |  |
| 9 | Land |  | 16,000 |  |
|  | Cash |  |  | 16,000 |
|  |  |  |  |  |
| 10 | Office Supplies |  | 1,600 |  |
|  | Accounts Payable |  |  | 1,600 |
|  |  |  |  |  |
| 19 | Cash |  | 23,000 |  |
|  | Notes Payable |  |  | 23,000 |
|  |  |  |  |  |
| 22 | Accounts Payable |  | 1,300 |  |
|  | Cash |  |  | 1,300 |
|  |  |  |  |  |
| 28 | Advertising Expense |  | 240 |  |
|  | Advertising Payable |  |  | 240 |
|  |  |  |  |  |
| 31 | Cash |  | 6,500 |  |
|  | Accounts Receivable |  | 5,800 |  |
|  | Service Revenue |  |  | 12,300 |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 2,500 |  |
|  | Rent Expense |  | 1,000 |  |
|  | Utilities Expense |  | 400 |  |
|  | Cash |  |  | 3,900 |
|  |  |  |  |  |
| 31 | Cash |  | 1,140 |  |
|  | Unearned Revenue |  |  | 1,140 |
|  |  |  |  |  |
| 31 | Yung, Withdrawals |  | 7,000 |  |
|  | Cash |  |  | 7,000 |

**P2-29A, cont.  
Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Jul. 1 68,000 | 560 Jul. 5 |  | Jul. 22 1,300 | 1,600 Jul. 10 |
| Jul. 19 23,000 | 16,000 Jul. 9 |  |  | 300 Bal. |
| Jul. 31 6,500 | 1,300 Jul. 22 |  |  |  |
| Jul. 31 1,140 | 3,900 Jul. 31 |  | Advertising Payable | |
|  | 7,000 Jul. 31 |  |  | 240 Jul. 28 |
| Bal. 69,880 |  |  |  | 240 Bal. |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Jul. 31 5,800 |  |  |  | 1,140 Jul. 31 |
| Bal. 5,800 |  |  |  | 1,140 Bal. |
|  |  |  |  |  |
| Office Supplies | |  | Notes Payable | |
| Jul. 10 1,600 |  |  |  | 23,000 Jul. 19 |
| Bal. 1,600 |  |  |  | 23,000 Bal. |
|  |  |  |  |  |
| Land | |  | Yung, Capital | |
| Jul. 9 16,000 |  |  |  | 68,000 Jul. 1 |
| Bal. 16,000 |  |  |  | 68,000 Bal. |
|  |  |  |  |  |
|  |  |  | Yung, Withdrawals | |
|  |  |  | Jul. 31 7,000 |  |
|  |  |  | Bal. 7,000 |  |
|  |  |  |  |  |
|  |  |  | Service Revenue | |
|  |  |  |  | 12,300 Jul. 31 |
|  |  |  |  | 12,300 Bal. |
|  |  |  |  |  |
|  |  |  | Salaries Expense | |
|  |  |  | Jul. 31 2,500 |  |
|  |  |  | Bal. 2,500 |  |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Jul. 5 560 |  |
|  |  |  | Jul. 31 1,000 |  |
|  |  |  | Bal. 1,560 |  |
|  |  |  |  | |
|  |  |  | Utilities Expense | |
|  |  |  | Jul. 31 400 |  |
|  |  |  | Bal. 400 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | Jul. 28 240 |  |
|  |  |  | Bal. 240 |  |

**P2-29A, cont.  
Requirement 3**

|  |  |  |
| --- | --- | --- |
| VERNON YUNG, MD | | |
| Trial Balance | | |
| July 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 69,880 |  |
| Accounts Receivable | 5,800 |  |
| Office Supplies | 1,600 |  |
| Land | 16,000 |  |
| Accounts Payable |  | $ 300 |
| Advertising Payable |  | 240 |
| Unearned Revenue |  | 1,140 |
| Notes Payable |  | 23,000 |
| Yung, Capital |  | 68,000 |
| Yung, Withdrawals | 7,000 |  |
| Service Revenue |  | 12,300 |
| Salaries Expense | 2,500 |  |
| Rent Expense | 1,560 |  |
| Utilities Expense | 400 |  |
| Advertising Expense | 240 |  |
| Total | **$ 104,980** | **$ 104,980** |
|  |  |  |

**P2-30A**

**Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Sep. 1 | Cash |  | 42,000 |  |
|  | Stewart, Capital |  |  | 42,000 |
|  |  |  |  |  |
| 4 | Office 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 | Salaries Expense |  | 1,490 |  |
|  | Cash |  |  | 1,490 |
|  |  |  |  |  |
| 17 | Cash |  | 400 |  |
|  | Accounts Receivable |  |  | 400 |
|  |  |  |  |  |
| 20 | Accounts Receivable |  | 700 |  |
|  | Service Revenue |  |  | 700 |
|  |  |  |  |  |
| 25 | Cash |  | 1,800 |  |
|  | Unearned Revenue |  |  | 1,800 |
|  |  |  |  |  |
| 28 | Cash |  | 2,100 |  |
|  | Service Revenue |  |  | 2,100 |
|  |  |  |  |  |
| 29 | Prepaid Insurance |  | 1,200 |  |
|  | Cash |  |  | 1,200 |
|  |  |  |  |  |
| 30 | Salaries Expense |  | 1,490 |  |
|  | Cash |  |  | 1,490 |
|  |  |  |  |  |
| 30 | Rent Expense |  | 650 |  |
|  | Cash |  |  | 650 |

**P2-30A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| 30 | Utilities Expense |  | 350 |  |
|  | Utilities Payable |  |  | 350 |
|  |  |  |  |  |
| 30 | Stewart, Withdrawals |  | 3,000 |  |
|  | Cash |  |  | 3,000 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Sep. 1 42,000 | 24,000 Sep. 7 |  | Sep. 14 1,900 | 2,600 Sep. 4 |
| Sep. 6 1,400 | 1,900 Sep. 14 |  |  | 700 Bal. |
| Sep. 17 400 | 1,490 Sep. 15 |  |  |  |
| Sep. 25 1,800 | 1,200 Sep. 29 |  |  |  |
| Sep. 28 2,100 | 1,490 Sep. 30 |  | Utilities Payable | |
|  | 650 Sep. 30 |  |  | 350 Sep. 30 |
|  | 3,000 Sep. 30 |  |  | 350 Bal. |
| Bal. 13,970 |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Sep. 10 1,000 | 400 Sep. 17 |  |  | 1,800 Sep. 25 |
| Sep. 20 700 |  |  |  | 1,800 Bal. |
| Bal. 1,300 |  |  |  |  |
|  |  |  |  |  |
| Office Supplies | |  | Stewart, Capital | |
| Sep. 4 700 |  |  |  | 42,000 Sep. 1 |
| Bal. 700 |  |  |  | 42,000 Bal. |
|  |  |  |  |  |
| Prepaid Insurance | |  | Stewart, Withdrawals | |
| Sep. 29 1,200 |  |  | Sep. 30 3,000 |  |
| Bal. 1,200 |  |  | Bal. 3,000 |  |
|  |  |  |  |  |
| Furniture | |  | Service Revenue | |
| Sep. 4 1,900 |  |  |  | 1,400 Sep. 6 |
| Bal. 1,900 |  |  |  | 1,000 Sep. 10 |
|  |  |  |  | 700 Sep. 20 |
| Land | |  |  | 2,100 Sep. 28 |
| Sep. 7 24,000 |  |  |  | 5,200 Bal. |
| Bal. 24,000 |  |  |  |  |

**P2-30A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Salaries Expense | |
|  |  |  | Sep. 15 1,490 |  |
|  |  |  | Sep. 30 1,490 |  |
|  |  |  | Bal. 2,980 |  |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Sep. 30 650 |  |
|  |  |  | Bal. 650 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Sep. 30 350 |  |
|  |  |  | Bal. 350 |  |
|  |  |  |  |  |

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| DORIS STEWART, DESIGNER | | |
| Trial Balance | | |
| September 30, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 13,970 |  |
| Accounts Receivable | 1,300 |  |
| Office Supplies | 700 |  |
| Prepaid Insurance | 1,200 |  |
| Furniture | 1,900 |  |
| Land | 24,000 |  |
| Accounts Payable |  | $ 700 |
| Utilities Payable |  | 350 |
| Unearned Revenue |  | 1,800 |
| Stewart, Capital |  | 42,000 |
| Stewart, Withdrawals | 3,000 |  |
| Service Revenue |  | 5,200 |
| Salaries Expense | 2,980 |  |
| Rent Expense | 650 |  |
| Utilities Expense | 350 |  |
| Total | **$ 50,050** | **$ 50,050** |
|  |  |  |

**P2-31A  
Requirements 1 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Jan. 1 | Cash | 101 | 59,000 |  |
|  | Moore, Capital | 301 |  | 59,000 |
|  |  |  |  |  |
| 3 | Office Supplies | 121 | 600 |  |
|  | Furniture | 141 | 2,000 |  |
|  | Accounts Payable | 201 |  | 2,600 |
|  |  |  |  |  |
| 4 | Cash | 101 | 1,300 |  |
|  | Service Revenue | 411 |  | 1,300 |
|  |  |  |  |  |
| 7 | Building | 151 | 100,000 |  |
|  | Land | 161 | 20,000 |  |
|  | Cash | 101 |  | 40,000 |
|  | Notes Payable | 221 |  | 80,000 |
|  |  |  |  |  |
| 11 | Accounts Receivable | 111 | 700 |  |
|  | Service Revenue | 411 |  | 700 |
|  |  |  |  |  |
| 15 | Salaries Expense | 511 | 1,180 |  |
|  | Cash | 101 |  | 1,180 |
|  |  |  |  |  |
| 16 | Accounts Payable | 201 | 600 |  |
|  | Cash | 101 |  | 600 |
|  |  |  |  |  |
| 18 | Cash | 101 | 2,400 |  |
|  | Service Revenue | 411 |  | 2,400 |
|  |  |  |  |  |
| 19 | Accounts Receivable | 111 | 800 |  |
|  | Service Revenue | 411 |  | 800 |
|  |  |  |  |  |
| 25 | Utilities Expense | 531 | 400 |  |
|  | Utilities Payable | 211 |  | 400 |
|  |  |  |  |  |
| 29 | Cash | 101 | 700 |  |
|  | Accounts Receivable | 111 |  | 700 |
|  |  |  |  |  |
| 30 | Prepaid Insurance | 131 | 2,400 |  |
|  | Cash | 101 |  | 2,400 |
|  |  |  |  |  |
| 30 | Salaries Expense | 511 | 1,180 |  |
|  | Cash | 101 |  | 1,180 |
|  |  |  |  |  |

**P2-31A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 | Rent Expense | 521 | 1,500 |  |
|  | Cash | 101 |  | 1,500 |
|  |  |  |  |  |
| 31 | Moore, Withdrawals | 311 | 2,400 |  |
|  | Cash | 101 |  | 2,400 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 101 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 1 |  | J1 | 59,000 |  | 59,000 |  |
| Jan. 4 |  | J1 | 1,300 |  | 60,300 |  |
| Jan. 7 |  | J1 |  | 40,000 | 20,300 |  |
| Jan. 15 |  | J1 |  | 1,180 | 19,120 |  |
| Jan. 16 |  | J1 |  | 600 | 18,520 |  |
| Jan. 18 |  | J1 | 2,400 |  | 20,920 |  |
| Jan. 29 |  | J1 | 700 |  | 21,620 |  |
| Jan. 30 |  | J1 |  | 2,400 | 19,220 |  |
| Jan. 30 |  | J1 |  | 1,180 | 18,040 |  |
| Jan. 31 |  | J1 |  | 1,500 | 16,540 |  |
| Jan. 31 |  | J1 |  | 2,400 | 14,140 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 111 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 11 |  | J1 | 700 |  | 700 |  |
| Jan. 19 |  | J1 | 800 |  | 1,500 |  |
| Jan. 29 |  | J1 |  | 700 | 800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 121 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 3 |  | J1 | 600 |  | 600 |  |

**P2-31A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PREPAID INSURANCE | | | | | Account No. 131 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 30 |  | J1 | 2,400 |  | 2,400 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 141 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 3 |  | J1 | 2,000 |  | 2,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 151 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 | 100,000 |  | 100,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 161 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 | 20,000 |  | 20,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 201 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 3 |  | J1 |  | 2,600 |  | 2,600 |
| Jan. 16 |  | J1 | 600 |  |  | 2,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 211 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 25 |  | J1 |  | 400 |  | 400 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NOTES PAYABLE | | | | | Account No. 221 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 |  | 80,000 |  | 80,000 |

**P2-31A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| MOORE, CAPITAL | | | | | Account No. 301 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 1 |  | J1 |  | 59,000 |  | 59,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| MOORE, WITHDRAWALS | | | | | Account No. 311 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 |  | J1 | 2,400 |  | 2,400 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 411 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 4 |  | J1 |  | 1,300 |  | 1,300 |
| Jan. 11 |  | J1 |  | 700 |  | 2,000 |
| Jan. 18 |  | J1 |  | 2,400 |  | 4,400 |
| Jan. 19 |  | J1 |  | 800 |  | 5,200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 511 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 15 |  | J1 | 1,180 |  | 1,180 |  |
| Jan. 30 |  | J1 | 1,180 |  | 2,360 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 521 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 |  | J1 | 1,500 |  | 1,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES EXPENSE | | | | | Account No. 531 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 25 |  | J1 | 400 |  | 400 |  |

**P2-31A, cont.**  
**Requirement 4**

|  |  |  |
| --- | --- | --- |
| TREVOR MOORE, ATTORNEY | | |
| Trial Balance | | |
| January 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 14,140 |  |
| Accounts Receivable | 800 |  |
| Office Supplies | 600 |  |
| Prepaid Insurance | 2,400 |  |
| Furniture | 2,000 |  |
| Building | 100,000 |  |
| Land | 20,000 |  |
| Accounts Payable |  | $ 2,000 |
| Utilities Payable |  | 400 |
| Notes Payable |  | 80,000 |
| Moore, Capital |  | 59,000 |
| Moore, Withdrawals | 2,400 |  |
| Service Revenue |  | 5,200 |
| Salaries Expense | 2,360 |  |
| Rent Expense | 1,500 |  |
| Utilities Expense | 400 |  |
| Total | **$ 146,600** | **$ 146,600** |
|  |  |  |

**P2-32A  
Requirement 1**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** | |
| Feb. 4 | Cash | 11 | 4,000 | |  | |
|  | Accounts Receivable | 12 |  | | 4,000 | |
|  | *Received cash from client on account.* |  |  | |  | |
|  |  |  |  | |  | |
| 8 | Accounts Receivable | 12 | 4,600 | |  | |
|  | Service Revenue | 41 |  | | 4,600 | |
|  | *Performed tax services for client on account.* |  |  | |  | |
|  |  |  |  | |  | |
| 13 | Accounts Payable | 21 | 2,400 | |  | |
|  | Cash | 11 |  | | 2,400 | |
|  | *Paid cash on account.* |  |  | |  | |
|  |  |  |  | |  | |

**P2-32A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Feb. 14 | Furniture | 14 | 3,000 |  |
|  | Accounts Payable | 21 |  | 3,000 |
|  | *Purchased furniture on account.* |  |  |  |
|  |  |  |  |  |
| 15 | Automobile | 15 | 8,500 |  |
|  | Mitchell, Capital | 31 |  | 8,500 |
|  | *Owner contributed automobile to the business in exchange for capital.* |  |  |  |
|  |  |  |  |  |
| 18 | Office Supplies | 13 | 900 |  |
|  | Accounts Payable | 21 |  | 900 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Cash | 11 | 2,300 |  |
|  | Accounts Receivable | 12 |  | 2,300 |
|  | *Received cash on account.* |  |  |  |
|  |  |  |  |  |
| 20 | Mitchell, Withdrawals | 32 | 2,200 |  |
|  | Cash | 11 |  | 2,200 |
|  | *The owner withdrew cash from the business.* |  |  |  |
|  |  |  |  |  |
| 21 | Cash | 11 | 2,300 |  |
|  | Service Revenue | 41 |  | 2,300 |
|  | *Received cash for consulting work.* |  |  |  |
|  |  |  |  |  |
| 24 | Cash | 11 | 1,000 |  |
|  | Unearned Revenue | 22 |  | 1,000 |
|  | *Received payment for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 27 | Rent Expense | 52 | 500 |  |
|  | Cash | 11 |  | 500 |
|  | *Paid office rent.* |  |  |  |
|  |  |  |  |  |
| 28 | Salaries Expense | 51 | 1,600 |  |
|  | Cash | 11 |  | 1,600 |
|  | *Paid employee salary.* |  |  |  |
|  |  |  |  |  |

**P2-32A, cont.  
Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 11 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  | 7,000 |  |
| Feb. 4 |  | J5 | 4,000 |  | 11,000 |  |
| Feb. 13 |  | J5 |  | 2,400 | 8,600 |  |
| Feb. 19 |  | J5 | 2,300 |  | 10,900 |  |
| Feb. 20 |  | J5 |  | 2,200 | 8,700 |  |
| Feb. 21 |  | J5 | 2,300 |  | 11,000 |  |
| Feb. 24 |  | J5 | 1,000 |  | 12,000 |  |
| Feb. 27 |  | J5 |  | 500 | 11,500 |  |
| Feb. 28 |  | J5 |  | 1,600 | 9,900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 12 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  | 10,500 |  |
| Feb. 4 |  | J5 |  | 4,000 | 6,500 |  |
| Feb. 8 |  | J5 | 4,600 |  | 11,100 |  |
| Feb. 19 |  | J5 |  | 2,300 | 8,800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 13 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  | 600 |  |
| Feb. 18 |  | J5 | 900 |  | 1,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 14 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 14 |  | J5 | 3,000 |  | 3,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| AUTOMOBILE | | | | | Account No. 15 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 15 |  | J5 | 8,500 |  | 8,500 |  |

**P2-32A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 16 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  | 17,000 |  |
|  | | | | |  | |
| ACCOUNTS PAYABLE | | | | | Account No. 21 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  |  | 4,700 |
| Feb. 13 |  | J5 | 2,400 |  |  | 2,300 |
| Feb. 14 |  | J5 |  | 3,000 |  | 5,300 |
| Feb. 18 |  | J5 |  | 900 |  | 6,200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 22 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 24 |  | J5 |  | 1,000 |  | 1,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| MITCHELL, CAPITAL | | | | | Account No. 31 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 | Balance |  |  |  |  | 30,400 |
| Feb. 15 |  | J5 |  | 8,500 |  | 38,900 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| MITCHELL, WITHDRAWALS | | | | | Account No. 32 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 20 |  | J5 | 2,200 |  | 2,200 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 41 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 8 |  | J5 |  | 4,600 |  | 4,600 |
| Feb. 21 |  | J5 |  | 2,300 |  | 6,900 |

**P2-32A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 51 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 28 |  | J5 | 1,600 |  | 1,600 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 52 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Feb. 27 |  | J5 | 500 |  | 500 |  |

**Requirement 4**

|  |  |  |  |
| --- | --- | --- | --- |
| SAM MITCHELL, CPA | | | |
| Trial Balance | | | |
| February 28, 2015 | | | |
|  | | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 11 | Cash | $ 9,900 |  |
| 12 | Accounts Receivable | 8,800 |  |
| 13 | Office Supplies | 1,500 |  |
| 14 | Furniture | 3,000 |  |
| 15 | Automobile | 8,500 |  |
| 16 | Land | 17,000 |  |
| 21 | Accounts Payable |  | $ 6,200 |
| 22 | Unearned Revenue |  | 1,000 |
| 31 | Mitchell, Capital |  | 38,900 |
| 32 | Mitchell, Withdrawals | 2,200 |  |
| 41 | Service Revenue |  | 6,900 |
| 51 | Salaries Expense | 1,600 |  |
| 52 | Rent Expense | 500 |  |
|  | Total | **$ 53,000** | **$ 53,000** |
|  |  |  |  |

**P2-33A**

|  |  |  |
| --- | --- | --- |
| SMART TOTS CHILD CARE | | |
| Trial Balance | | |
| August 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 10,100 |  |
| Accounts Receivable | 15,000 |  |
| Office Supplies | 1,700 |  |
| Prepaid Insurance | 3,200 |  |
| Equipment | 78,500 |  |
| Accounts Payable |  | $ 4,000 |
| Notes Payable |  | 50,000 |
| Tilley, Capital |  | 51,700 |
| Tilley, Withdrawals | 2,600 |  |
| Service Revenue |  | 9,700 |
| Salaries Expense | 3,400 |  |
| Rent Expense | 500 |  |
| Advertising Expense | 400 |  |
| Total | **$ 115,400** | **$ 115,400** |
|  |  |  |

Explanations:

a. Increase Cash by $1,000.

b. Increase Accounts Receivable by $8,000 ($4,000 × 2).

c. Increase Office Supplies and Accounts Payable by $1,000 each.

d. Decrease Equipment by $8,500 ($87,000 − $78,500).

e. Decrease Salaries Expense by $200.

f. Advertising Expense should have a debit balance of $400. Decrease Cash by $400.

g. Tilley, Withdrawals should decrease by $1,800 and Cash should increase by $1,800 ($2,000 − $200).

h. Service Revenue should increase by $5,000.

i. Prepaid Insurance should increase by $2,400 ($1,200 × 2).

**P2-34A**

|  |  |  |
| --- | --- | --- |
| TREASURE HUNT EXPLORATION COMPANY | | |
| Trial Balance | | |
| February 28, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 1,300 |  |
| Accounts Receivable | 6,360 |  |
| Office Supplies | 1,300 |  |
| Computers | 16,490 |  |
| Exploration Equipment | 49,000 |  |
| Accounts Payable |  | $ 3,700 |
| Notes Payable |  | 18,500 |
| Jones, Capital |  | 50,000 |
| Jones, Withdrawals | 4,000 |  |
| Service Revenue |  | 10,900 |
| Salaries Expense | 1,400 |  |
| Rent Expense | 1,480 |  |
| Advertising Expense | 900 |  |
| Utilities Expense | 870 |  |
| Total | **$ 83,100** | **$ 83,100** |
|  |  |  |

Explanations:

a. Decrease cash by $5,000.

b. Increase Rent Expense by $680 ($340 × 2).

c. Increase Service Revenue by $6,800.

d. Increase Accounts Receivable by $360 ($400 − $40).

e. Increase Utilities Expense by $70.

f. Increase Office Supplies and Accounts Payable by $900 each.

g. Decrease Computers by $5,810 ($22,300 − $16,490).

**P2-35A  
Requirement 1**

|  |  |  |
| --- | --- | --- |
| SHARON SILVER, REGISTERED DIETICIAN | | |
| Income Statement | | |
| Month Ended July 31, 2015 | | |
|  |  |  |
| Revenues: |  |  |
| Service Revenue |  | $ 8,800 |
| Expenses: |  |  |
| Salaries Expense | $ 1,700 |  |
| Rent Expense | 500 |  |
| Utilities Expense | 150 |  |
| Total Expenses |  | 2,350 |
| Net Income |  | $ 6,450 |
|  |  |  |

**Requirement 2**

|  |  |
| --- | --- |
| SHARON SILVER, REGISTERED DIETICIAN | |
| Statement of Owner's Equity | |
| Month Ended July 31, 2015 | |
|  |  |
| Silver, Capital, July 1, 2015 | $ 0 |
| Owner contribution | 23,150 |
| Net income for the month | 6,450 |
|  | 29,600 |
| Owner withdrawal | (2,300) |
| Silver, Capital, July 31, 2015 | $ 27,300 |
|  |  |

**P2-35A, cont.  
Requirements 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SHARON SILVER, REGISTERED DIETICIAN | | | | |
| Balance Sheet | | | | |
| July 31, 2015 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 36,200 |  | Accounts Payable | $ 3,300 |
| Accounts Receivable | 9,100 |  | Unearned Revenue | 1,500 |
| Office Supplies | 1,800 |  | Notes Payable | 30,000 |
| Prepaid Insurance | 2,000 |  | Total Liabilities | 34,800 |
| Equipment | 13,000 |  |  | |
|  |  |  | Owner's Equity | |
|  |  |  | Silver, Capital | 27,300 |
| Total Assets | $ 62,100 |  | Total Liabilities and Owner's Equity | $ 62,100 |
|  |  |  |  |  |

**Requirement 4**

Debt ratio = Total liabilities / Total assets = $34,800 / $62,100 = 0.56\* = 56%

\*rounded

***Problems (Group B)***

**P2-36B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Mar. 1 | Cash |  | 74,000 |  |
|  | Rockford, Capital |  |  | 74,000 |
|  |  |  |  |  |
| 5 | Rent Expense |  | 560 |  |
|  | Cash |  |  | 560 |
|  |  |  |  |  |
| 9 | Land |  | 24,000 |  |
|  | Cash |  |  | 24,000 |
|  |  |  |  |  |
| 10 | Office Supplies |  | 1,300 |  |
|  | Accounts Payable |  |  | 1,300 |
|  |  |  |  |  |
| 19 | Cash |  | 19,000 |  |
|  | Notes Payable |  |  | 19,000 |
|  |  |  |  |  |
| 22 | Accounts Payable |  | 900 |  |
|  | Cash |  |  | 900 |
|  |  |  |  |  |
| 28 | Advertising Expense |  | 120 |  |
|  | Advertising Payable |  |  | 120 |
|  |  |  |  |  |
| 31 | Cash |  | 7,100 |  |
|  | Accounts Receivable |  | 4,700 |  |
|  | Service Revenue |  |  | 11,800 |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 2,000 |  |
|  | Rent Expense |  | 1,600 |  |
|  | Utilities Expense |  | 320 |  |
|  | Cash |  |  | 3,920 |
|  |  |  |  |  |
| 31 | Cash |  | 1,400 |  |
|  | Unearned Revenue |  |  | 1,400 |
|  |  |  |  |  |
| 31 | Rockford, Withdrawals |  | 8,000 |  |
|  | Cash |  |  | 8,000 |
|  |  |  |  |  |

**P2-36B, cont.   
Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Mar. 1 74,000 | 560 Mar. 5 |  | Mar. 22 900 | 1,300 Mar. 10 |
| Mar. 19 19,000 | 24,000 Mar. 9 |  |  | 400 Bal. |
| Mar. 31 7,100 | 900 Mar. 22 |  |  |  |
| Mar. 31 1,400 | 3,920 Mar. 31 |  | Advertising Payable | |
|  | 8,000 Mar. 31 |  |  | 120 Mar. 28 |
| Bal. 64,120 |  |  |  | 120 Bal. |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Mar. 31 4,700 |  |  |  | 1,400 Mar. 31 |
| Bal. 4,700 |  |  |  | 1,400 Bal. |
|  |  |  |  |  |
| Office Supplies | |  | Notes Payable | |
| Mar. 10 1,300 |  |  |  | 19,000 Mar. 19 |
| Bal. 1,300 |  |  |  | 19,000 Bal. |
|  |  |  |  |  |
| Land | |  | Rockford, Capital | |
| Mar. 9 24,000 |  |  |  | 74,000 Mar. 1 |
| Bal. 24,000 |  |  |  | 74,000 Bal. |
|  |  |  |  |  |
|  |  |  | Rockford, Withdrawals | |
|  |  |  | Mar. 31 8,000 |  |
|  |  |  | Bal. 8,000 |  |
|  |  |  |  |  |
|  |  |  | Service Revenue | |
|  |  |  |  | 11,800 Mar. 31 |
|  |  |  |  | 11,800 Bal. |
|  |  |  |  |  |
|  |  |  | Salaries Expense | |
|  |  |  | Mar. 31 2,000 |  |
|  |  |  | Bal. 2,000 |  |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Mar. 5 560 |  |
|  |  |  | Mar. 31 1,600 |  |
|  |  |  | Bal. 2,160 |  |
|  |  |  |  | |
|  |  |  | Utilities Expense | |
|  |  |  | Mar. 31 320 |  |
|  |  |  | Bal. 320 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | Mar. 28 120 |  |
|  |  |  | Bal. 120 |  |

**P2-36B, cont.   
Requirement 3**

|  |  |  |
| --- | --- | --- |
| VINCE ROCKFORD, MD | | |
| Trial Balance | | |
| March 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 64,120 |  |
| Accounts Receivable | 4,700 |  |
| Office Supplies | 1,300 |  |
| Land | 24,000 |  |
| Accounts Payable |  | $ 400 |
| Advertising Payable |  | 120 |
| Unearned Revenue |  | 1,400 |
| Notes Payable |  | 19,000 |
| Rockford, Capital |  | 74,000 |
| Rockford, Withdrawals | 8,000 |  |
| Service Revenue |  | 11,800 |
| Salaries Expense | 2,000 |  |
| Rent Expense | 2,160 |  |
| Utilities Expense | 320 |  |
| Advertising Expense | 120 |  |
| Total | **$ 106,720** | **$ 106,720** |
|  |  |  |

**P2-37B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Nov. 1 | Cash |  | 34,000 |  |
|  | Nelson, Capital |  |  | 34,000 |
|  |  |  |  |  |
| 4 | Office Supplies |  | 500 |  |
|  | Furniture |  | 1,900 |  |
|  | Accounts Payable |  |  | 2,400 |
|  |  |  |  |  |
| 6 | Cash |  | 1,200 |  |
|  | Service Revenue |  |  | 1,200 |
|  |  |  |  |  |
| 7 | Land |  | 25,000 |  |
|  | Cash |  |  | 25,000 |
|  |  |  |  |  |
| 10 | Accounts Receivable |  | 1,200 |  |
|  | Service Revenue |  |  | 1,200 |
|  |  |  |  |  |
| 14 | Accounts Payable |  | 1,900 |  |
|  | Cash |  |  | 1,900 |
|  |  |  |  |  |
| 15 | Salaries Expense |  | 1,080 |  |
|  | Cash |  |  | 1,080 |
|  |  |  |  |  |
| 17 | Cash |  | 500 |  |
|  | Accounts Receivable |  |  | 500 |
|  |  |  |  |  |
| 20 | Accounts Receivable |  | 800 |  |
|  | Service Revenue |  |  | 800 |
|  |  |  |  |  |
| 25 | Cash |  | 1,800 |  |
|  | Unearned Revenue |  |  | 1,800 |
|  |  |  |  |  |
| 28 | Cash |  | 2,200 |  |
|  | Service Revenue |  |  | 2,200 |
|  |  |  |  |  |
| 29 | Prepaid Insurance |  | 2,400 |  |
|  | Cash |  |  | 2,400 |
|  |  |  |  |  |
| 30 | Salaries Expense |  | 1,080 |  |
|  | Cash |  |  | 1,080 |
|  |  |  |  |  |
| 30 | Rent Expense |  | 830 |  |
|  | Cash |  |  | 830 |
|  |  |  |  |  |

**P2-37B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Nov. 30 | Utilities Expense |  | 250 |  |
|  | Utilities Payable |  |  | 250 |
|  |  |  |  |  |
| 30 | Nelson, Withdrawals |  | 2,700 |  |
|  | Cash |  |  | 2,700 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Nov. 1 34,000 | 25,000 Nov. 7 |  | Nov. 14 1,900 | 2,400 Nov. 4 |
| Nov. 6 1,200 | 1,900 Nov. 14 |  |  | 500 Bal. |
| Nov. 17 500 | 1,080 Nov. 15 |  |  |  |
| Nov. 25 1,800 | 2,400 Nov. 29 |  |  |  |
| Nov. 28 2,200 | 1,080 Nov. 30 |  | Utilities Payable | |
|  | 830 Nov. 30 |  |  | 250 Nov. 30 |
|  | 2,700 Nov. 30 |  |  | 250 Bal. |
| Bal. 4,710 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Nov. 10 1,200 | 500 Nov. 17 |  |  | 1,800 Nov. 25 |
| Nov. 20 800 |  |  |  | 1,800 Bal. |
| Bal. 1,500 |  |  |  |  |
|  |  |  |  |  |
| Office Supplies | |  | Nelson, Capital | |
| Nov. 4 500 |  |  |  | 34,000 Nov. 1 |
| Bal. 500 |  |  |  | 34,000 Bal. |
|  |  |  |  |  |
| Prepaid Insurance | |  | Nelson, Withdrawals | |
| Nov. 29 2,400 |  |  | Nov. 30 2,700 |  |
| Bal. 2,400 |  |  | Bal. 2,700 |  |
|  |  |  |  |  |
| Furniture | |  | Service Revenue | |
| Nov. 4 1,900 |  |  |  | 1,200 Nov. 6 |
| Bal. 1,900 |  |  |  | 1,200 Nov. 10 |
|  |  |  |  | 800 Nov. 20 |
| Land | |  |  | 2,200 Nov. 28 |
| Nov. 7 25,000 |  |  |  | 5,400 Bal. |
| Bal. 25,000 |  |  |  |  |
|  |  |  |  |  |
|  |  |  | Salaries Expense | |
|  |  |  | Nov. 15 1,080 |  |
|  |  |  | Nov. 30 1,080 |  |
|  |  |  | Bal. 2,160 |  |

**P2-37B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Nov. 30 830 |  |
|  |  |  | Bal. 830 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Nov. 30 250 |  |
|  |  |  | Bal. 250 |  |
|  |  |  |  |  |

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| BETH NELSON, DESIGNER | | |
| Trial Balance | | |
| November 30, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 4,710 |  |
| Accounts Receivable | 1,500 |  |
| Office Supplies | 500 |  |
| Prepaid Insurance | 2,400 |  |
| Furniture | 1,900 |  |
| Land | 25,000 |  |
| Accounts Payable |  | $ 500 |
| Utilities Payable |  | 250 |
| Unearned Revenue |  | 1,800 |
| Nelson, Capital |  | 34,000 |
| Nelson, Withdrawals | 2,700 |  |
| Service Revenue |  | 5,400 |
| Salaries Expense | 2,160 |  |
| Rent Expense | 830 |  |
| Utilities Expense | 250 |  |
| Total | **$ 41,950** | **$ 41,950** |
|  |  |  |

**P2-38B   
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Apr. 1 | Cash | 101 | 62,000 |  |
|  | Perez, Capital | 301 |  | 62,000 |
|  |  |  |  |  |
| 3 | Office Supplies | 121 | 500 |  |
|  | Furniture | 141 | 2,000 |  |
|  | Accounts Payable | 201 |  | 2,500 |
|  |  |  |  |  |
| 4 | Cash | 101 | 1,900 |  |
|  | Service Revenue | 411 |  | 1,900 |
|  |  |  |  |  |
| 7 | Building | 151 | 120,000 |  |
|  | Land | 161 | 30,000 |  |
|  | Cash | 101 |  | 50,000 |
|  | Notes Payable | 221 |  | 100,000 |
|  |  |  |  |  |
| 11 | Accounts Receivable | 111 | 1,100 |  |
|  | Service Revenue | 411 |  | 1,100 |
|  |  |  |  |  |
| 15 | Salaries Expense | 511 | 920 |  |
|  | Cash | 101 |  | 920 |
|  |  |  |  |  |
| 16 | Accounts Payable | 201 | 500 |  |
|  | Cash | 101 |  | 500 |
|  |  |  |  |  |
| 18 | Cash | 101 | 1,700 |  |
|  | Service Revenue | 411 |  | 1,700 |
|  |  |  |  |  |
| 19 | Accounts Receivable | 111 | 700 |  |
|  | Service Revenue | 411 |  | 700 |
|  |  |  |  |  |
| 25 | Utilities Expense | 531 | 300 |  |
|  | Utilities Payable | 211 |  | 300 |
|  |  |  |  |  |
| 28 | Cash | 101 | 800 |  |
|  | Accounts Receivable | 111 |  | 800 |
|  |  |  |  |  |
| 29 | Prepaid Insurance | 131 | 1,200 |  |
|  | Cash | 101 |  | 1,200 |
|  |  |  |  |  |
| 29 | Salaries Expense | 511 | 920 |  |
|  | Cash | 101 |  | 920 |
|  |  |  |  |  |

**P2-38B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Apr. 30 | Rent Expense | 521 | 730 |  |
|  | Cash | 101 |  | 730 |
|  |  |  |  |  |
| 30 | Perez, Withdrawals | 311 | 2,700 |  |
|  | Cash | 101 |  | 2,700 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 101 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 1 |  | J1 | 62,000 |  | 62,000 |  |
| Apr. 4 |  | J1 | 1,900 |  | 63,900 |  |
| Apr. 7 |  | J1 |  | 50,000 | 13,900 |  |
| Apr. 15 |  | J1 |  | 920 | 12,980 |  |
| Apr. 16 |  | J1 |  | 500 | 12,480 |  |
| Apr. 18 |  | J1 | 1,700 |  | 14,180 |  |
| Apr. 28 |  | J1 | 800 |  | 14,980 |  |
| Apr. 29 |  | J1 |  | 1,200 | 13,780 |  |
| Apr. 29 |  | J1 |  | 920 | 12,860 |  |
| Apr. 30 |  | J1 |  | 730 | 12,130 |  |
| Apr. 30 |  | J1 |  | 2,700 | 9,430 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 111 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 11 |  | J1 | 1,100 |  | 1,100 |  |
| Apr. 19 |  | J1 | 700 |  | 1,800 |  |
| Apr. 28 |  | J1 |  | 800 | 1,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 121 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 | 500 |  | 500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PREPAID INSURANCE | | | | | Account No. 131 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 29 |  | J1 | 1,200 |  | 1,200 |  |

**P2-38B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 141 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 | 2,000 |  | 2,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 151 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 | 120,000 |  | 120,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 161 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 | 30,000 |  | 30,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 201 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 |  | 2,500 |  | 2,500 |
| Apr. 16 |  | J1 | 500 |  |  | 2,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 211 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 25 |  | J1 |  | 300 |  | 300 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NOTES PAYABLE | | | | | Account No. 221 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 |  | 100,000 |  | 100,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PEREZ, CAPITAL | | | | | Account No. 301 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 1 |  | J1 |  | 62,000 |  | 62,000 |

**P2-38B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PEREZ, WITHDRAWALS | | | | | Account No. 311 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 30 |  | J1 | 2,700 |  | 2,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 411 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 4 |  | J1 |  | 1,900 |  | 1,900 |
| Apr. 11 |  | J1 |  | 1,100 |  | 3,000 |
| Apr. 18 |  | J1 |  | 1,700 |  | 4,700 |
| Apr. 19 |  | J1 |  | 700 |  | 5,400 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 511 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 15 |  | J1 | 920 |  | 920 |  |
| Apr. 29 |  | J1 | 920 |  | 1,840 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 521 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 30 |  | J1 | 730 |  | 730 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES EXPENSE | | | | | Account No. 531 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 25 |  | J1 | 300 |  | 300 |  |

**P2-38B, cont.  
Requirement 4**

|  |  |  |
| --- | --- | --- |
| VINCE PEREZ, ATTORNEY | | |
| Trial Balance | | |
| April 30, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 9,430 |  |
| Accounts Receivable | 1,000 |  |
| Office Supplies | 500 |  |
| Prepaid Insurance | 1,200 |  |
| Furniture | 2,000 |  |
| Building | 120,000 |  |
| Land | 30,000 |  |
| Accounts Payable |  | $ 2,000 |
| Utilities Payable |  | 300 |
| Notes Payable |  | 100,000 |
| Perez, Capital |  | 62,000 |
| Perez, Withdrawals | 2,700 |  |
| Service Revenue |  | 5,400 |
| Salaries Expense | 1,840 |  |
| Rent Expense | 730 |  |
| Utilities Expense | 300 |  |
| Total | **$ 169,700** | **$ 169,700** |
|  |  |  |

**P2-39B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Apr. 4 | Cash | 11 | 7,000 |  |
|  | Accounts Receivable | 12 |  | 7,000 |
|  | *Received cash from client on account.* |  |  |  |
|  |  |  |  |  |
| 8 | Accounts Receivable | 12 | 5,000 |  |
|  | Service Revenue | 41 |  | 5,000 |
|  | *Performed tax services for client on account.* |  |  |  |
|  |  |  |  |  |
| 13 | Accounts Payable | 21 | 2,500 |  |
|  | Cash | 11 |  | 2,500 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 14 | Furniture | 14 | 4,000 |  |
|  | Accounts Payable | 21 |  | 4,000 |
|  | *Purchased furniture on account.* |  |  |  |
|  |  |  |  |  |
| 15 | Automobile | 15 | 10,500 |  |
|  | Hilton, Capital | 31 |  | 10,500 |
|  | *Owner contributed automobile to the business in exchange for capital.* |  |  |  |
|  |  |  |  |  |
| 18 | Office Supplies | 13 | 600 |  |
|  | Accounts Payable | 21 |  | 600 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Cash | 11 | 2,100 |  |
|  | Accounts Receivable | 12 |  | 2,100 |
|  | *Received cash on account.* |  |  |  |
|  |  |  |  |  |
| 20 | Hilton, Withdrawals | 32 | 2,300 |  |
|  | Cash | 11 |  | 2,300 |
|  | *The owner withdrew cash from the business.* |  |  |  |
|  |  |  |  |  |
| 21 | Cash | 11 | 2,100 |  |
|  | Service Revenue | 41 |  | 2,100 |
|  | *Received cash for consulting work.* |  |  |  |
|  |  |  |  |  |
| 24 | Cash | 11 | 3,000 |  |
|  | Unearned Revenue | 22 |  | 3,000 |
|  | *Received payment for services to be performed next month.* |  |  |  |

**P2-39B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Apr. 27 | Rent Expense | 52 | 300 |  |
|  | Cash | 11 |  | 300 |
|  | *Paid office rent.* |  |  |  |
|  |  |  |  |  |
| 28 | Salaries Expense | 51 | 1,300 |  |
|  | Cash | 11 |  | 1,300 |
|  | *Paid employee salary.* |  |  |  |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 11 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 5,000 |  |
| Apr. 4 |  | J5 | 7,000 |  | 12,000 |  |
| Apr. 13 |  | J5 |  | 2,500 | 9,500 |  |
| Apr. 19 |  | J5 | 2,100 |  | 11,600 |  |
| Apr. 20 |  | J5 |  | 2,300 | 9,300 |  |
| Apr. 21 |  | J5 | 2,100 |  | 11,400 |  |
| Apr. 24 |  | J5 | 3,000 |  | 14,400 |  |
| Apr. 27 |  | J5 |  | 300 | 14,100 |  |
| Apr. 28 |  | J5 |  | 1,300 | 12,800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 12 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 8,100 |  |
| Apr. 4 |  | J5 |  | 7,000 | 1,100 |  |
| Apr. 8 |  | J5 | 5,000 |  | 6,100 |  |
| Apr. 19 |  | J5 |  | 2,100 | 4,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 13 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 800 |  |
| Apr. 18 |  | J5 | 600 |  | 1,400 |  |

**P2-39B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 14 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 14 |  | J5 | 4,000 |  | 4,000 |  |
| AUTOMOBILE | | | | | Account No. 15 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 15 |  | J5 | 10,500 |  | 10,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 16 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 14,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 21 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 4,200 |
| Apr. 13 |  | J5 | 2,500 |  |  | 1,700 |
| Apr. 14 |  | J5 |  | 4,000 |  | 5,700 |
| Apr. 18 |  | J5 |  | 600 |  | 6,300 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 22 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 24 |  | J5 |  | 3,000 |  | 3,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| HILTON, CAPITAL | | | | | Account No. 31 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 23,700 |
| Apr. 15 |  | J5 |  | 10,500 |  | 34,200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| HILTON, WITHDRAWALS | | | | | Account No. 32 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 20 |  | J5 | 2,300 |  | 2,300 |  |

**P2-39B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 41 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 8 |  | J5 |  | 5,000 |  | 5,000 |
| Apr. 21 |  | J5 |  | 2,100 |  | 7,100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 51 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 28 |  | J5 | 1,300 |  | 1,300 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 52 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 27 |  | J5 | 300 |  | 300 |  |

**Requirement 4**

|  |  |  |  |
| --- | --- | --- | --- |
|  | JOHN HILTON, CPA | | |
|  | Trial Balance | | |
|  | April 30, 2015 | | |
|  |  | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 11 | Cash | $ 12,800 |  |
| 12 | Accounts Receivable | 4,000 |  |
| 13 | Office Supplies | 1,400 |  |
| 14 | Furniture | 4,000 |  |
| 15 | Automobile | 10,500 |  |
| 16 | Land | 14,000 |  |
| 21 | Accounts Payable |  | $ 6,300 |
| 22 | Unearned Revenue |  | 3,000 |
| 31 | Hilton, Capital |  | 34,200 |
| 32 | Hilton, Withdrawals | 2,300 |  |
| 41 | Service Revenue |  | 7,100 |
| 51 | Salaries Expense | 1,300 |  |
| 52 | Rent Expense | 300 |  |
|  | Total | **$ 50,600** | **$ 50,600** |
|  |  |  |  |

**P2-40B**

|  |  |  |
| --- | --- | --- |
| BUILDING BLOCKS CHILD CARE | | |
| Trial Balance | | |
| May 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 10,900 |  |
| Accounts Receivable | 7,000 |  |
| Office Supplies | 1,900 |  |
| Prepaid Insurance | 4,400 |  |
| Equipment | 87,700 |  |
| Accounts Payable |  | $ 8,200 |
| Notes Payable |  | 50,000 |
| Estella, Capital |  | 50,800 |
| Estella, Withdrawals | 1,700 |  |
| Service Revenue |  | 8,700 |
| Salaries Expense | 3,100 |  |
| Rent Expense | 700 |  |
| Advertising Expense | 300 |  |
| Total | **$ 117,700** | **$ 117,700** |
|  |  |  |

Explanations:

a. Increase Cash by $4,000.

b. Increase Accounts Receivable by $4,000 ($2,000 × 2).

c. Increase Office Supplies and Accounts Payable by $1,200 each.

d. Decrease Equipment by $300 ($88,000 − $87,700).

e. Decrease Salaries Expense by $100.

f. Advertising Expense should have a debit balance of $300. Decrease Cash by $300.

g. Estella, Withdrawals should decrease by $900 and Cash should increase by $900 ($1,000 − $100).

h. Service Revenue should increase by $4,000.

i. Prepaid Insurance should increase by $4,000 ($2,000 × 2).

**P2-41B**

|  |  |  |
| --- | --- | --- |
| OCEAN DIVERS EXPLORATION COMPANY | | |
| Trial Balance | | |
| July 31, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 5,600 |  |
| Accounts Receivable | 9,450 |  |
| Office Supplies | 800 |  |
| Computers | 17,160 |  |
| Exploration Equipment | 46,000 |  |
| Accounts Payable |  | $ 3,500 |
| Notes Payable |  | 18,900 |
| Indiana, Capital |  | 50,100 |
| Indiana, Withdrawals | 1,000 |  |
| Service Revenue |  | 10,900 |
| Salaries Expense | 1,800 |  |
| Rent Expense | 700 |  |
| Advertising Expense | 100 |  |
| Utilities Expense | 790 |  |
| Total | **$ 83,400** | **$ 83,400** |
|  |  |  |

Explanations:

a. Decrease cash by $1,000.

b. Increase Rent Expense by $600 ($300 × 2).

c. Increase Service Revenue by $6,000.

d. Increase Accounts Receivable by $450 ($500 − $50).

e. Increase Utilities Expense by $90.

f. Increase Office Supplies and Accounts Payable by $600 each.

g. Decrease Computers by $5,440 ($22,600 −$17,160).

**P2-42B  
Requirement 1**

|  |  |  |
| --- | --- | --- |
| SHERMANA PETERS, REGISTERED DIETICIAN | | |
| Income Statement | | |
| Month Ended July 31, 2015 | | |
|  |  |  |
| Revenues: |  |  |
| Service Revenue |  | $ 7,000 |
| Expenses: |  |  |
| Salaries Expense | $ 1,500 |  |
| Rent Expense | 300 |  |
| Utilities Expense | 200 |  |
| Total Expenses |  | 2,000 |
| Net Income |  | $ 5,000 |
|  |  |  |

**Requirement 2**

|  |  |
| --- | --- |
| SHERMANA PETERS, REGISTERED DIETICIAN | |
| Statement of Owner's Equity | |
| Month Ended July 31, 2015 | |
|  |  |
| Peters, Capital, July 1, 2015 | $ 0 |
| Owner contribution | 21,700 |
| Net income for the month | 5,000 |
|  | $ 26,700 |
| Owner withdrawal | (2,200) |
| Peters, Capital, July 31, 2015 | $ 24,500 |
|  |  |

**P2-42B, cont.  
Requirement 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SHERMANA PETERS, REGISTERED DIETICIAN | | | | |
| Balance Sheet | | | | |
| July 31, 2015 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 36,800 |  | Accounts Payable | $ 3,700 |
| Accounts Receivable | 5,500 |  | Unearned Revenue | 2,500 |
| Office Supplies | 1,400 |  | Notes Payable | 30,000 |
| Prepaid Insurance | 1,000 |  | Total Liabilities | $ 36,200 |
| Equipment | 16,000 |  |  | |
|  |  |  | Owner's Equity | |
|  |  |  | Peters, Capital | $ 24,500 |
| Total Assets | $ 60,700 |  | Total Liabilities and Owner's Equity | $ 60,700 |
|  |  |  |  |  |

**Requirement 4**

Debt ratio = Total liabilities / Total assets = $36,200 / $60,700 = 0.60\* = 60%

\* rounded

***Continuing Problem***

**P2-43  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Dec. 2 | Cash |  | 18,000 |  |
|  | Davis, 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 | Office Supplies |  | 900 |  |
|  | Accounts Payable |  |  | 900 |
|  |  |  |  |  |
| 9 | Accounts Receivable |  | 1,500 |  |
|  | Service Revenue |  |  | 1,500 |
|  |  |  |  |  |
| 12 | Utilities Expense |  | 250 |  |
|  | Cash |  |  | 250 |
|  |  |  |  |  |
| 18 | Cash |  | 1,100 |  |
|  | Service Revenue |  |  | 1,100 |
|  |  |  |  |  |
| 21 | Cash |  | 1,400 |  |
|  | Unearned Revenue |  |  | 1,400 |
|  |  |  |  |  |
| 21 | *No entry needed* |  |  |  |
|  |  |  |  |  |
| 26 | Accounts Payable |  | 400 |  |
|  | Cash |  |  | 400 |
|  |  |  |  |  |
| 28 | Cash |  | 300 |  |
|  | Accounts Receivable |  |  | 300 |
|  |  |  |  |  |
| 30 | Davis, Withdrawals |  | 1,400 |  |
|  | Cash |  |  | 1,400 |
|  |  |  |  |  |

**P2-43, cont.  
Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Dec. 2 18,000 | 550 Dec. 2 |  | Dec. 26 400 | 4,200 Dec. 4 |
| Dec. 18 1,100 | 1,800 Dec. 3 |  |  | 900 Dec. 5 |
| Dec. 21 1,400 | 250 Dec. 12 |  |  | 4,700 Balance |
| Dec. 28 300 | 400 Dec. 26 |  |  |  |
|  | 1,400 Dec. 30 |  |  |  |
| Balance 16,400 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Dec. 9 1,500 | 300 Dec. 28 |  |  | 1,400 Dec. 21 |
| Balance 1,200 |  |  |  | 1,400 Balance |
|  |  |  |  |  |
| Office Supplies | |  | Davis, Capital | |
| Dec. 5 900 |  |  |  | 18,000 Dec. 2 |
| Balance 900 |  |  |  | 18,000 Balance |
|  |  |  |  |  |
| Equipment | |  | Davis, Withdrawals | |
| Dec. 3 1,800 |  |  | Dec. 30 1,400 |  |
| Balance 1,800 |  |  | Balance 1,400 |  |
|  |  |  |  |  |
| Furniture | |  | Service Revenue | |
| Dec. 4 4,200 |  |  |  | 1,500 Dec. 9 |
| Balance 4,200 |  |  |  | 1,100 Dec. 18 |
|  |  |  |  | 2,600 Balance |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Dec. 2 550 |  |
|  |  |  | Balance 550 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Dec. 12 250 |  |
|  |  |  | Balance 250 |  |
|  |  |  |  |  |

**P2-43, cont.  
Requirement 4**

|  |  |  |
| --- | --- | --- |
| DAVIS CONSULTING | | |
| Trial Balance | | |
| December 31, 2014 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 16,400 |  |
| Accounts Receivable | 1,200 |  |
| Office Supplies | 900 |  |
| Equipment | 1,800 |  |
| Furniture | 4,200 |  |
| Accounts Payable |  | $ 4,700 |
| Unearned Revenue |  | 1,400 |
| Davis, Capital |  | 18,000 |
| Davis, Withdrawals | 1,400 |  |
| Service Revenue |  | 2,600 |
| Rent Expense | 550 |  |
| Utilities Expense | 250 |  |
| Total | **$ 26,700** | **$ 26,700** |
|  |  |  |

**Requirement 5**

|  |  |  |
| --- | --- | --- |
| DAVIS CONSULTING | | |
| Income Statement | | |
| Month Ended December 31, 2014 | | |
|  |  |  |
| Revenues: |  |  |
| Service Revenue |  | $ 2,600 |
| Expenses: |  |  |
| Rent Expense | $ 550 |  |
| Utilities Expense | 250 |  |
| Total Expenses |  | 800 |
| Net Income |  | $ 1,800 |
|  |  |  |

**P2-43, cont.  
Requirement 6**

|  |  |
| --- | --- |
| DAVIS CONSULTING | |
| Statement of Owner's Equity | |
| Month Ended December 31, 2014 | |
|  |  |
| Davis, Capital, December 1, 2014 | $ 0 |
| Owner contribution | 18,000 |
| Net income for the month | 1,800 |
|  | $ 19,800 |
| Owner withdrawal | (1,400) |
| Davis, Capital, December 31, 2014 | $ 18,400 |
|  |  |

**Requirement 7**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| DAVIS CONSULTING | | | | |
| Balance Sheet | | | | |
| December 31, 2014 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 16,400 |  | Accounts Payable | $ 4,700 |
| Accounts Receivable | 1,200 |  | Unearned Revenue | 1,400 |
| Office Supplies | 900 |  | Total Liabilities | $ 6,100 |
| Equipment | 1,800 |  |  |  |
| Furniture | 4,200 |  |  | |
|  |  |  | Owner's Equity | |
|  |  |  | Davis, Capital | $ 18,400 |
| Total Assets | $ 24,500 |  | Total Liabilities and Owner's Equity | $ 24,500 |
|  |  |  |  |  |

**Requirement 8**

Debt ratio = Total liabilities / Total assets = $6,100 / $24,500 = 0.25\* = 25%

\* rounded

***Practice Set***

**P2-44  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Nov. 1 | Cash |  | 35,000 |  |
|  | Truck |  | 8,000 |  |
|  | Hudson, Capital |  |  | 43,000 |
|  |  |  |  |  |
| 2 | Prepaid Rent |  | 2,000 |  |
|  | Cash |  |  | 2,000 |
|  |  |  |  |  |
| 3 | Prepaid Insurance |  | 2,400 |  |
|  | Cash |  |  | 2,400 |
|  |  |  |  |  |
| 4 | Cleaning Supplies |  | 270 |  |
|  | Accounts Payable |  |  | 270 |
|  |  |  |  |  |
| 5 | Equipment |  | 1,000 |  |
|  | Accounts Payable |  |  | 1,000 |
|  |  |  |  |  |
| 7 | Equipment |  | 1,200 |  |
|  | Cash |  |  | 1,200 |
|  |  |  |  |  |
| 9 | Accounts Receivable |  | 3,000 |  |
|  | Service Revenue |  |  | 3,000 |
|  |  |  |  |  |
| 10 | Cash |  | 100 |  |
|  | Accounts Receivable |  |  | 100 |
|  |  |  |  |  |
| 15 | Salaries Expense |  | 500 |  |
|  | Cash |  |  | 500 |
|  |  |  |  |  |
| 16 | Cash |  | 3,600 |  |
|  | Unearned Revenue |  |  | 3,600 |
|  |  |  |  |  |
| 17 | Cash |  | 800 |  |
|  | Service Revenue |  |  | 800 |
|  |  |  |  |  |
| 18 | Utilities Expense |  | 175 |  |
|  | Accounts Payable |  |  | 175 |
|  |  |  |  |  |
| 20 | Cash |  | 40,000 |  |
|  | Notes Payable |  |  | 40,000 |

**P2-44, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Nov. 21 | Cash |  | 900 |  |
|  | Accounts Receivable |  |  | 900 |
|  |  |  |  |  |
| 25 | Accounts Payable |  | 500 |  |
|  | Cash |  |  | 500 |
|  |  |  |  |  |
| 29 | Advertising Expense |  | 100 |  |
|  | Cash |  |  | 100 |
|  |  |  |  |  |
| 30 | Hudson, Withdrawals |  | 600 |  |
|  | Cash |  |  | 600 |
|  |  |  |  |  |

**P2-44, cont.  
Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Nov. 1 35,000 | 2,000 Nov. 2 |  | Nov. 25 500 | 270 Nov. 4 |
| Nov. 10 100 | 2,400 Nov. 3 |  |  | 1,000 Nov. 5 |
| Nov. 16 3,600 | 1,200 Nov. 7 |  |  | 175 Nov. 18 |
| Nov. 17 800 | 500 Nov. 15 |  |  | 945 Balance |
| Nov. 20 40,000 | 500 Nov. 25 |  |  |  |
| Nov. 21 900 | 100 Nov. 29 |  |  |  |
|  | 600 Nov. 30 |  |  |  |
| Balance 73,100 |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Nov. 9 3,000 | 100 Nov. 10 |  |  | 3,600 Nov. 16 |
|  | 900 Nov. 21 |  |  | 3,600 Balance |
| Balance 2,000 |  |  |  |  |
|  |  |  |  |  |
| Cleaning Supplies | |  | Notes Payable | |
| Nov. 4 270 |  |  |  | 40,000 Nov. 20 |
| Balance 270 |  |  |  | 40,000 Balance |
|  |  |  |  |  |
| Prepaid Rent | |  | Hudson, Capital | |
| Nov. 2 2,000 |  |  |  | 43,000 Nov. 1 |
| Balance 2,000 |  |  |  | 43,000 Balance |
|  |  |  |  |  |
| Prepaid Insurance | |  | Hudson, Withdrawals | |
| Nov. 3 2,400 |  |  | Nov. 30 600 |  |
| Balance 2,400 |  |  | Balance 600 |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Equipment | |  | Service Revenue | |
| Nov. 5 1,000 |  |  |  | 3,000 Nov. 9 |
| Nov. 7 1,200 |  |  |  | 800 Nov. 17 |
| Balance 2,200 |  |  |  | 3,800 Balance |
|  |  |  |  |  |
| Truck | |  | Salaries Expense | |
| Nov. 1 8,000 |  |  | Nov. 15 500 |  |
| Balance 8,000 |  |  | Balance 500 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | Nov. 29 100 |  |
|  |  |  | Balance 100 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Nov. 18 175 |  |
|  |  |  | Balance 175 |  |

**P2-44, cont.  
Requirement 4**

|  |  |  |
| --- | --- | --- |
| SHINE KING CLEANING | | |
| Trial Balance | | |
| November 30, 2015 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 73,100 |  |
| Accounts Receivable | 2,000 |  |
| Cleaning Supplies | 270 |  |
| Prepaid Rent | 2,000 |  |
| Prepaid Insurance | 2,400 |  |
| Equipment | 2,200 |  |
| Truck | 8,000 |  |
| Accounts Payable |  | $ 945 |
| Unearned Revenue |  | 3,600 |
| Notes Payable |  | 40,000 |
| Hudson, Capital |  | 43,000 |
| Hudson, Withdrawals | 600 |  |
| Service Revenue |  | 3,800 |
| Salaries Expense | 500 |  |
| Advertising Expense | 100 |  |
| Utilities Expense | 175 |  |
| Total | **$ 91,345** | **$ 91,345** |
|  |  |  |

***Critical Thinking***

**Decision Case 2-1**

**Requirements 1 and 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| a. 10,000 | 300 b. |  |  | 700 c. |
| f. 1,200 | 2,400 d. |  |  | 700 Bal. |
| Bal. 8,500 |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | McChesney, Capital | |
| e. 8,800 | 1,200 f. |  |  | 10,000 a. |
| Bal. 7,600 |  |  |  | 10,000 Bal. |
|  |  |  |  |  |
| Office Supplies | |  | Service Revenue | |
| b. 300 |  |  |  | 8,800 e. |
| Bal. 300 |  |  |  | 8,800 Bal. |
|  |  |  |  |  |
|  | |  | Salaries Expense | |
|  |  |  | d. 1,400 |  |
|  |  |  | Bal. 1,400 |  |
|  |  |  |  |  |
|  | |  | Rent Expense | |
|  |  |  | d. 1,000 |  |
|  |  |  | Bal. 1,000 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | c. 700 |  |
|  |  |  | Bal. 700 |  |
|  |  |  |  |  |

**Decision Case 2-1, cont.  
Requirement 3**

|  |  |  |
| --- | --- | --- |
| A-PLUS TRAVEL PLANNERS | | |
| Trial Balance | | |
| June 30, 2016 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 8,500 |  |
| Accounts Receivable | 7,600 |  |
| Office Supplies | 300 |  |
| Accounts Payable |  | $ 700 |
| McChesney, Capital |  | 10,000 |
| Service Revenue |  | 8,800 |
| Salaries Expense | 1,400 |  |
| Rent Expense | 1,000 |  |
| Advertising Expense | 700 |  |
| Total | **$ 19,500** | **$ 19,500** |
|  |  |  |

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| Revenues: |  |  |
| Service Revenue |  | $ 8,800 |
| Expenses: |  |  |
| Salaries Expense | $ 1,400 |  |
| Rent Expense | 1,000 |  |
| Advertising Expense | 700 |  |
| Total Expenses |  | 3,100 |
| Net Income |  | $ 5,700 |
|  |  |  |

McChesney should discontinue the business because net income falls below the target amount.

**Decision Case 2-2**

**Requirement 1**

The advantage of double-entry bookkeeping it that it provides an arithmetic check on the accounting transactions; the total debits and total credits have to equal, and something is wrong if they don’t. Double-entry bookkeeping can also handle a higher number of transactions than using the accounting equation.

**Requirement 2**

The bank uses the term “credit your account” when you deposit money, because it is crediting a liability on their books. They owe you the funds that you just deposited.

**Ethical Issue 2-1**

The bank has a standing agreement with Better Days Ahead for overdrafts, so as long as transactions are compliant with terms of the agreement, there is no ethical issue. The exercise refers to Better Days Ahead managing funds “wisely.” However, whether funds are managed wisely or not is a matter of prudent business management and not an ethical issue. Presumably if Better Days Ahead was exceeding the terms of the agreement, the bank would cancel the arrangement.

Some students may point out that the agreement was for times when donations were running low, whereas the reasons given for the overdraft are for expansion and fundraising. If this is interpreted to mean that Better Days Ahead is abusing the privilege according to the terms of the agreement, then there may be an ethical issue involved, but that is not made clear by the information given.

Students may approve of Henson’s cash management if the arrangement is beneficial to Better Days Ahead, and thus helps them accomplish their charitable mission more effectively. Students may disapprove of Henson’s cash management if (a) they feel it is “unwise” (poor business management), or (b) if they believe he is exceeding the terms of the agreement.

**Fraud Case 2-1**

**Requirement 1**

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

**Requirement 2**

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

**Financial Statement Case 2-1**

**Requirement 1**

Debt ratio = Total liabilities / Total assets

= $2,973.1 (in millions) / $7,360.4 (in millions)

= 0.403\* = 40.3%

\* rounded

**Requirement 2**

Starbucks has approximately the same debt ratio than Green Mountain (40.0%).

**Team Project 2-1**

**Requirements 1 and 2**

Student answers will vary widely, as the various groups use the charts of accounts of different businesses. The financial statements that the students prepare should be consistent with the business’s chart of accounts.

**Communication Activity 2-1**

Debits are on the left, credits are on the right. Normal balance for assets, expenses, and withdrawals is a debit. For liability, equity, and revenue accounts, the normal balance is a credit.