**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 Common Stock, Dividends, 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 numbers 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, dividends, and expenses. Debits are decreases for liabilities, common stock, and revenue.
7. Credits are increases for liabilities, common stock, and revenue. Credits are decreases for assets, dividends, and expenses.
8. Assets, dividends, and expenses have a normal debit balance. Liabilities, common stock, 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, then apply 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. Common Stock **(E)** | g. Rent Expense **(E)** |
| c. Prepaid Insurance **(A)** | h. Furniture **(A)** |
| d. Notes Payable **(L)** | i. Dividends **(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 Common Stock **(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. Common Stock **(CR)** |
| b. Dividends **(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**

|  |  |
| --- | --- |
| Accounts Payable | |
| May 2 6,000 | 21,000 May 1 |
| May 22 11,500 | 500 May 5 |
|  | 8,500 May 15 |
|  | 500 May 23 |
|  | 13,000 Bal. |

**S2-5**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Jan. 1 | Cash | 34,000 |  |
|  | Common Stock |  | 34,000 |
|  | *Received cash in exchange for common stock.* |  |  |
|  |  |  |  |
| 2 | Medical Supplies | 17,000 |  |
|  | Accounts Payable |  | 17,000 |
|  | *Purchased medical supplies on account.* |  |  |
|  |  |  |  |
| 4 | Cash | 1,600 |  |
|  | Service Revenue |  | 1,600 |
|  | *Performed services for patients.* |  |  |
|  |  |  |  |
| 12 | Rent Expense | 3,000 |  |
|  | Cash |  | 3,000 |
|  | *Paid rent with cash.* |  |  |
|  |  |  |  |
| 15 | Accounts Receivable | 7,000 |  |
|  | Service Revenue |  | 7,000 |
|  | *Performed services for patients on account.* |  |  |
|  |  |  |  |

**S2-6**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
| Jan. 22 | Accounts Receivable | 7,500 |  |
|  | Service Revenue |  | 7,500 |
|  | *Performed services for customers on account.* |  |  |
|  |  |  |  |
| 30 | Cash | 8,000 |  |
|  | Accounts Receivable |  | 8,000 |
|  | *Received cash on account from customers.* |  |  |
|  |  |  |  |
| 31 | Utilities Expense | 220 |  |
|  | Utilities Payable |  | 220 |
|  | *Received a utility bill due in February.* |  |  |
|  |  |  |  |
| 31 | Salaries Expense | 2,500 |  |
|  | Cash |  | 2,500 |
|  | *Paid monthly salary to salesman.* |  |  |
|  |  |  |  |
| 31 | Cash | 2,310 |  |
|  | Unearned Revenue |  | 2,310 |
|  | *Received cash for 3 months consulting services in advance.* |  |  |
|  |  |  |  |
| 31 | Dividends | 950 |  |
|  | Cash |  | 950 |
|  | *Paid cash dividends.* |  |  |
|  |  |  |  |

**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 | 1,800 |  |
|  | Cash |  | 1,800 |
|  | *Paid cash on account.* |  |  |
|  |  |  |  |

**Requirement 2**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Cash | |  |  |  | Accounts Payable | |  |
| Bal. | 21,000 | 1,800 | Mar. 28 |  | Mar. 28 | 1,800 | 3,400 | Mar. 15 |
| Bal. | 19,200 |  |  |  |  |  | 1,600 | Bal. |
|  |  |  |  |  |  |  |  |  |
|  | Office Supplies | |  |  |  |  |  |  |
| Mar. 15 | 3,400 |  |  |  |  |  |  |  |
| Bal. | 3,400 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**S2-8**

|  |  |  |
| --- | --- | --- |
| SMITHSON FLOOR COVERINGS | | |
| Trial Balance | | |
| December 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 7,000 |  |
| Accounts Receivable | 3,600 |  |
| Equipment | 36,000 |  |
| Accounts Payable |  | $ 2,200 |
| Salaries Payable |  | 25,000 |
| Interest Payable |  | 6,000 |
| Common Stock |  | 24,000 |
| Dividends | 16,100 |  |
| Service Revenue |  | 26,000 |
| Rent Expense | 17,000 |  |
| Salaries Expense | 1,600 |  |
| Utilities Expense | 1,900 |  |
| Total | **$ 83,200** | **$ 83,200** |
|  |  |  |

**S2-9**

Debt ratio = Total liabilities / Total assets = $30,000 / $200,000 = 0.15 = 15%

***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 – Common Stock |
| 110 – Automotive Supplies | 310 – Retained Earnings |
| 120 – Equipment | 320 – Dividends |
|  | 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. | Common Stock | 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. | Dividends | E | DR | DR |
| j. | Service Revenue | E | CR | CR |

**E2-13**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Assets | | = | Liabilities | | + | 1. Equity | | | | | | | | | | |
|  | |  |  | |  |  | |  |  |  |  |  |  |  |  |  |
|  | |  |  | |  | Contributed  Capital | | + | Retained Earnings | | | | | | | |
| Assets | | = | 1. Liabilities | | + | Common  Stock | | – | (d) Dividends | | + | 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. Dividends
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. Paid cash dividends to stockholders.

c. Paid wages owed to employees, previously recorded.

d. Received equipment for the business in exchange for common stock.

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 | 14,000 |  |
|  | Common Stock |  | 14,000 |
|  | *Issued common stock in exchange for cash.* |  |  |
|  |  |  |  |
| 4 | Utilities Expense | 370 |  |
|  | Cash |  | 370 |
|  | *Paid utility expense.* |  |  |
|  |  |  |  |
| 5 | Equipment | 1,600 |  |
|  | Accounts Payable |  | 1,600 |
|  | *Purchased equipment on account.* |  |  |
|  |  |  |  |
| 10 | Accounts Receivable | 2,900 |  |
|  | Service Revenue |  | 2,900 |
|  | *Performed services for client on account.* |  |  |
|  |  |  |  |
| 12 | Cash | 7,100 |  |
|  | Notes Payable |  | 7,100 |
|  | *Borrowed cash by signing note.* |  |  |
|  |  |  |  |
| 19 | Dividends | 200 |  |
|  | Cash |  | 200 |
|  | *Paid cash dividends.* |  |  |
|  |  |  |  |

**E2-16, cont.**

|  |  |  |  |
| --- | --- | --- | --- |
| 21 | Office Supplies | 840 |  |
|  | Cash |  | 840 |
|  | *Purchased office supplies with cash.* |  |  |
|  |  |  |  |
| 27 | Accounts Payable | 1,600 |  |
|  | Cash |  | 1,600 |
|  | *Paid cash on account.* |  |  |
|  |  |  |  |

**E2-17**

**Requirements 1, 2, and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Jul. 2 14,000 | 370 Jul. 4 |  | Jul. 27 1,600 | 1,600 Jul. 5 |
| Jul. 12 7,100 | 200 Jul. 19 |  |  | 0 Balance |
|  | 840 Jul. 21 |  |  |  |
|  | 1,600 Jul. 27 |  |  |  |
| Balance 18,090 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Notes Payable | |
| Jul. 10 2,900 |  |  |  | 7,100 Jul. 12 |
| Balance 2,900 |  |  |  | 7,100 Balance |
|  |  |  |  |  |
| Office Supplies | |  | Common Stock | |
| Jul. 21 840 |  |  |  | 14,000 Jul. 2 |
| Balance 840 |  |  |  | 14,000 Balance |
|  |  |  |  |  |
| Equipment | |  | Dividends | |
| Jul. 5 1,600 |  |  | Jul. 19 200 |  |
| Balance 1,600 |  |  | Balance 200 |  |
|  |  |  |  |  |
|  |  |  | Service Revenue | |
|  |  |  |  | 2,900 Jul. 10 |
|  |  |  |  | 2,900 Balance |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Jul. 4 370 |  |
|  |  |  | Balance 370 |  |
|  |  |  |  |  |

**E2-18**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** |
| May 1 | Cash |  | 105,000 |  |
|  | Common Stock. |  |  | 105,000 |
|  | *Issued common stock in exchange for cash.* |  |  |  |
|  |  |  |  |  |
| 2 | Office Supplies |  | 550 |  |
|  | Accounts Payable |  |  | 550 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 4 | Building |  | 45,000 |  |
|  | Land |  | 12,000 |  |
|  | Cash |  |  | 57,000 |
|  | *Purchased building and land for cash.* |  |  |  |
|  |  |  |  |  |
| 6 | Cash |  | 3,600 |  |
|  | Service Revenue |  |  | 3,600 |
|  | *Performed services for customers for cash.* |  |  |  |
|  |  |  |  |  |
| 9 | Accounts Payable |  | 350 |  |
|  | Cash |  |  | 350 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 17 | Accounts Receivable |  | 3,500 |  |
|  | Service Revenue |  |  | 3,500 |
|  | *Performed services for customers on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Rent Expense |  | 1,200 |  |
|  | Cash |  |  | 1,200 |
|  | *Paid rent for the month.* |  |  |  |
|  |  |  |  |  |
| 20 | Cash |  | 1,500 |  |
|  | Unearned Revenue |  |  | 1,500 |
|  | *Received cash from customers for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 21 | Prepaid Advertising |  | 900 |  |
|  | Cash |  |  | 900 |
|  | *Paid for next month’s advertising.* |  |  |  |
|  |  |  |  |  |

**E2-18, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 23 | Cash |  | 3,100 |  |
|  | Accounts Receivable |  |  | 3,100 |
|  | *Received cash on account from customer.* |  |  |  |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 1,700 |  |
|  | Cash |  |  | 1,700 |
|  | *Paid salaries.* |  |  |  |
|  |  |  |  |  |

**E2-19**

**Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** |
| May 1 | Cash | 110 | 105,000 |  |
|  | Common Stock | 310 |  | 105,000 |
|  | *Issued common stock in exchange for cash.* |  |  |  |
|  |  |  |  |  |
| 2 | Office Supplies | 130 | 550 |  |
|  | Accounts Payable | 210 |  | 550 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 4 | Building | 160 | 45,000 |  |
|  | Land | 150 | 12,000 |  |
|  | Cash | 110 |  | 57,000 |
|  | *Purchased building and land for cash.* |  |  |  |
|  |  |  |  |  |
| 6 | Cash | 110 | 3,600 |  |
|  | Service Revenue | 410 |  | 3,600 |
|  | *Performed services for customers for cash.* |  |  |  |
|  |  |  |  |  |
| 9 | Accounts Payable | 210 | 350 |  |
|  | Cash | 110 |  | 350 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 17 | Accounts Receivable | 120 | 3,500 |  |
|  | Service Revenue | 410 |  | 3,500 |
|  | *Performed services for customers on account.* |  |  |  |
|  |  |  |  |  |

**E2-19, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 19 | Rent Expense | 510 | 1,200 |  |
|  | Cash | 110 |  | 1,200 |
|  | *Paid rent for the month.* |  |  |  |
|  |  |  |  |  |
| 20 | Cash | 110 | 1,500 |  |
|  | Unearned Revenue | 220 |  | 1,500 |
|  | *Received cash from customers for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 21 | Prepaid Advertising | 140 | 900 |  |
|  | Cash | 110 |  | 900 |
|  | *Paid for next month’s advertising.* |  |  |  |
|  |  |  |  |  |
| 23 | Cash | 110 | 3,100 |  |
|  | Accounts Receivable | 120 |  | 3,100 |
|  | *Received cash on account from customer.* |  |  |  |
|  |  |  |  |  |
| 31 | Salaries Expense | 520 | 1,700 |  |
|  | Cash | 110 |  | 1,700 |
|  | *Paid salaries.* |  |  |  |
|  |  |  |  |  |

**Requirements 1 and 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 110 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 1 |  | J10 | 105,000 |  | 105,000 |  |
| May 4 |  | J10 |  | 57,000 | 48,000 |  |
| May 6 |  | J10 | 3,600 |  | 51,600 |  |
| May 9 |  | J10 |  | 350 | 51,250 |  |
| May 19 |  | J10 |  | 1,200 | 50,050 |  |
| May 20 |  | J10 | 1,500 |  | 51,550 |  |
| May 21 |  | J10 |  | 900 | 50,650 |  |
| May 23 |  | J10 | 3,100 |  | 53,750 |  |
| May 31 |  | J10 |  | 1,700 | 52,050 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 120 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 17 |  | J10 | 3,500 |  | 3,500 |  |
| May 23 |  | J10 |  | 3,100 | 400 |  |

**E2-19, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 130 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 2 |  | J10 | 550 |  | 550 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PREPAID ADVERTISING | | | | | Account No. 140 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 21 |  | J10 | 900 |  | 900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 150 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 4 |  | J10 | 12,000 |  | 12,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 160 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 4 |  | J10 | 45,000 |  | 45,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 210 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 2 |  | J10 |  | 550 |  | 550 |
| May 9 |  | J10 | 350 |  |  | 200 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 220 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 20 |  | J10 |  | 1,500 |  | 1,500 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 310 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 1 |  | J10 |  | 105,000 |  | 105,000 |

**E2-19, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 410 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 6 |  | J10 |  | 3,600 |  | 3,600 |
| May 17 |  | J10 |  | 3,500 |  | 7,100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 510 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 19 |  | J10 | 1,200 |  | 1,200 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 520 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| May 31 |  | J10 | 1,700 |  | 1,700 |  |

**E2-20**

|  |
| --- |
| 1. The business received cash of $370,000 and issued common stock. |
| 1. Paid $360,000 cash for a building. |
| 1. Borrowed $260,000 cash, signing a note 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. Cash dividends of $7,000 paid to stockholders. |
| 1. Performed services for customers and received cash, $21,000. |

**E2-21**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| 1. | Cash |  | 57,000 |  |
|  | Common Stock |  |  | 57,000 |
|  | *Issued common stock in exchange for cash.* |  |  |  |
|  |  |  |  |  |
| 2. | Office Supplies |  | 800 |  |
|  | Accounts Payable |  |  | 800 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 3. | Building |  | 40,000 |  |
|  | Cash |  |  | 40,000 |
|  | *Purchased building for cash.* |  |  |  |
|  |  |  |  |  |
| 4. | Cash |  | 46,000 |  |
|  | Notes Payable |  |  | 46,000 |
|  | *Borrowed money signing a note payable.* |  |  |  |
|  |  |  |  |  |
| 5. | Equipment |  | 3,800 |  |
|  | Cash |  |  | 3,800 |
|  | *Purchased equipment for cash.* |  |  |  |
|  |  |  |  |  |

**E2-22**

|  |  |  |
| --- | --- | --- |
| ANDERSON MOVING COMPANY | | |
| Trial Balance | | |
| August 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 4,000 |  |
| Accounts Receivable | 10,000 |  |
| Office Supplies | 100 |  |
| Building | 41,000 |  |
| Trucks | 123,000 |  |
| Accounts Payable |  | $ 4,000 |
| Notes Payable |  | 56,000 |
| Common Stock |  | 49,800 |
| Dividends | 5,600 |  |
| Service Revenue |  | 82,000 |
| Salaries Expense | 6,000 |  |
| Fuel Expense | 1,000 |  |
| Insurance Expense | 600 |  |
| Utilities Expense | 300 |  |
| Advertising Expense | 200 |  |
| Total | **$ 191,800** | **$ 191,800** |
|  |  |  |

**E2-23**

|  |  |  |
| --- | --- | --- |
| MCMAHON FARM EQUIPMENT REPAIR | | |
| Trial Balance | | |
| May 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 9,020 |  |
| Accounts Receivable | 3,100 |  |
| Land | 14,000 |  |
| Building | 29,000 |  |
| Equipment | 16,000 |  |
| Salaries Payable |  | $ 3,400 |
| Notes Payable |  | 25,000 |
| Common Stock |  | 47,000 |
| Dividends | 2,000 |  |
| Service Revenue |  | 5,300 |
| Salaries Expense | 6,300 |  |
| Property Tax Expense | 1,000 |  |
| Advertising Expense | 280 |  |
| Total | **$ 80,700** | **$ 80,700** |
|  |  |  |

**E2-24**

**Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post Ref.** | **Debit** | **Credit** |
| June 1 | Cash | 110 | 13,200 |  |
|  | Office Furniture | 140 | 5,300 |  |
|  | Common Stock | 310 |  | 18,500 |
|  |  |  |  |  |
| 5 | Rent Expense | 520 | 1,300 |  |
|  | Cash | 110 |  | 1,300 |
|  |  |  |  |  |
| 9 | Office Supplies | 130 | 600 |  |
|  | Accounts Payable | 210 |  | 600 |
|  |  |  |  |  |
| 14 | Salaries Expense | 510 | 1,900 |  |
|  | Cash | 110 |  | 1,900 |
|  |  |  |  |  |
| 18 | Utilities Expense | 530 | 370 |  |
|  | Utilities Payable | 220 |  | 370 |
|  |  |  |  |  |

**E2-24, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 21 | Accounts Payable | 210 | 500 |  |
|  | Cash | 110 |  | 500 |
|  |  |  |  |  |
| 25 | Accounts Receivable | 120 | 5,700 |  |
|  | Service Revenue | 410 |  | 5,700 |
|  |  |  |  |  |
| 28 | Dividends | 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 | 13,200 |  | 13,200 |  |
| June 5 |  | J10 |  | 1,300 | 11,900 |  |
| June 14 |  | J10 |  | 1,900 | 10,000 |  |
| June 21 |  | J10 |  | 500 | 9,500 |  |
| June 28 |  | J10 |  | 6,700 | 2,800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 120 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 25 |  | J10 | 5,700 |  | 5,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 130 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 9 |  | J10 | 600 |  | 600 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE FURNITURE | | | | | Account No. 140 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 1 |  | J10 | 5,300 |  | 5,300 |  |

**E2-24, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 210 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 9 |  | J10 |  | 600 |  | 600 |
| June 21 |  | J10 | 500 |  |  | 100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 220 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 18 |  | J10 |  | 370 |  | 370 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 310 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 1 |  | J10 |  | 18,500 |  | 18,500 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| DIVIDENDS | | | | | 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 |  | 5,700 |  | 5,700 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 510 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 14 |  | J10 | 1,900 |  | 1,900 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **E2-24, cont.**  RENT EXPENSE | | | | | Account No. 520 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 5 |  | J10 | 1,300 |  | 1,300 |  |
| UTILITIES EXPENSE | | | | | Account No. 530 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| June 18 |  | J10 | 370 |  | 370 |  |

**Requirement 3**

|  |  |  |  |
| --- | --- | --- | --- |
| TERESA PARKER, CPA | | | |
| Trial Balance | | | |
| June 30, 2018 | | | |
|  |  | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 110 | Cash | $ 2,800 |  |
| 120 | Accounts Receivable | 5,700 |  |
| 130 | Office Supplies | 600 |  |
| 140 | Office Furniture | 5,300 |  |
| 210 | Accounts Payable |  | $ 100 |
| 220 | Utilities Payable |  | 370 |
| 310 | Common Stock |  | 18,500 |
| 320 | Dividends | 6,700 |  |
| 410 | Service Revenue |  | 5,700 |
| 510 | Salaries Expense | 1,900 |  |
| 520 | Rent Expense | 1,300 |  |
| 530 | Utilities Expense | 370 |  |
|  | Total | **$ 24,670** | **$ 24,670** |
|  |  |  |  |

**E2-25**

**Requirements 1 and 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Debits equal Credits,**  **Yes or No** | **Accounts** | **Amount** | **High or Low** |
| **a.** | No | Notes Payable | $5,000 | Low |
| **b.** | No | Utilities Expense | 900 | Low |
| **c.** | Yes | Furniture | 600 | High |
|  |  | Accounts Payable | 600 | High |
| **d.** | No | Cash | 450 | Low |
| **e.** | Yes | Office Supplies | 90 | Low |
|  |  | Accounts Payable | 90 | Low |

**E2-26**

|  |  |  |
| --- | --- | --- |
| COUNTRYSIDE PAINTING SPECIALISTS | | |
| Trial Balance | | |
| November 30, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 12,100 |  |
| Accounts Receivable | 1,300 |  |
| Office Supplies | 200 |  |
| Painting Equipment | 13,500 |  |
| Accounts Payable |  | $ 3,300 |
| Unearned Revenue |  | 1,700 |
| Common Stock |  | 15,000 |
| Dividends | 3,500 |  |
| Service Revenue |  | 15,600 |
| Advertising Expense | 550 |  |
| Rent Expense | 1,800 |  |
| Salaries Expense | 2,400 |  |
| Utilities Expense | 250 |  |
| Total | **$ 35,600** | **$ 35,600** |
|  |  |  |

**E2-27**

|  |  |  |
| --- | --- | --- |
| JOY MCDOWELL TUTORING SERVICE | | |
| Trial Balance | | |
| May 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 3,200 |  |
| Accounts Receivable | 1,600 |  |
| Office Supplies | 600 |  |
| Computer Equipment | 15,800 |  |
| Accounts Payable |  | $ 12,900 |
| Utilities Payable |  | 1,100 |
| Common Stock |  | 11,700 |
| Dividends | 10,400 |  |
| Service Revenue |  | 9,600 |
| Salaries Expense | 1,900 |  |
| Rent Expense | 800 |  |
| Utilities Expense | 1,000 |  |
| Total | **$ 35,300** | **$ 35,300** |
|  |  |  |

Explanation:

a. Increase Cash by $400, decrease Accounts Receivable by $400.

b. Increase Accounts Payable by $1,800 ($2,000 – $200).

c. Increase Utilities Expense and Utilities Payable by $300 each.

d. Increase Common Stock by $100.

**E2-28**

|  |  |
| --- | --- |
| Liabilities: |  |
| Accounts Payable | $ 1,600 |
| Utilities Payable | 800 |
| Unearned Revenue | 24,795 |
| Notes Payable | 69,000 |
| Total liabilities | $ 96,195 |

|  |  |
| --- | --- |
| Assets: |  |
| Cash | $ 30,000 |
| Accounts Receivable | 7,900 |
| Office Supplies | 3,000 |
| Office Equipment | 30,000 |
| Building | 75,000 |
| Land | 29,000 |
| Total assets | $ 174,900 |

Debt ratio = Total liabilities / Total assets = $96,195 / $174,900 = 0.55 = 55%

***Problems (Group A)***

**P2-29A  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post Ref.** | **Debit** | **Credit** |
| July 1 | Cash |  | 63,000 |  |
|  | Common Stock |  |  | 63,000 |
|  |  |  |  |  |
| 5 | Rent Expense |  | 510 |  |
|  | Cash |  |  | 510 |
|  |  |  |  |  |
| 9 | Land |  | 23,000 |  |
|  | Cash |  |  | 23,000 |
|  |  |  |  |  |
| 10 | Office Supplies |  | 1,600 |  |
|  | Accounts Payable |  |  | 1,600 |
|  |  |  |  |  |
| 19 | Cash |  | 22,000 |  |
|  | Notes Payable |  |  | 22,000 |
|  |  |  |  |  |
| 22 | Accounts Payable |  | 1,100 |  |
|  | Cash |  |  | 1,100 |
|  |  |  |  |  |
| 28 | Advertising Expense |  | 240 |  |
|  | Advertising Payable |  |  | 240 |
|  |  |  |  |  |
| 31 | Cash |  | 6,400 |  |
|  | Accounts Receivable |  | 6,000 |  |
|  | Service Revenue |  |  | 12,400 |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 2,200 |  |
|  | Rent Expense |  | 1,900 |  |
|  | Utilities Expense |  | 560 |  |
|  | Cash |  |  | 4,660 |
|  |  |  |  |  |
| 31 | Cash |  | 1,120 |  |
|  | Unearned Revenue |  |  | 1,120 |
|  |  |  |  |  |
| 31 | Dividends |  | 7,200 |  |
|  | Cash |  |  | 7,200 |
|  |  |  |  |  |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | | |
| Jul. 1 63,000 | 510 Jul. 5 |  | Jul. 22 1,100 | 1,600 Jul. 10 | |
| Jul. 19 22,000 | 23,000 Jul. 9 |  |  | 500 Bal. | |
| Jul. 31 6,400 | 1,100 Jul. 22 |  |  |  | |
| Jul. 31 1,120 | 4,660 Jul. 31 |  | Advertising Payable | | |
|  | 7,200 Jul. 31 |  |  | 240 Jul. 28 | |
| Bal. 56,050 |  |  |  | 240 Bal. | |
|  |  |  |  |  | |
| Accounts Receivable | |  | Unearned Revenue | | |
| Jul. 31 6,000 |  |  |  | 1,120 Jul. 31 | |
| Bal. 6,000 |  |  |  | 1,120 Bal. | |
|  |  |  |  |  | |
| Office Supplies | |  | Notes Payable | | |
| Jul. 10 1,600 |  |  |  | 22,000 Jul. 19 | |
| Bal. 1,600 |  |  |  | 22,000 Bal. | |
|  |  |  |  |  | |
| Land | |  | Common Stock | | |
| Jul. 9 23,000 |  |  |  | 63,000 Jul. 1 | |
| Bal. 23,000 |  |  |  | 63,000 Bal. | |
|  |  |  |  |  | |
|  |  |  | Dividends | | |
|  |  |  | Jul. 31 7,200 |  | |
|  |  |  | Bal. 7,200 |  | |
|  |  |  |  |  | |
|  |  |  | Service Revenue | | |
|  |  |  |  | 12,400 Jul. 31 | |
|  |  |  |  | 12,400 Bal. | |
|  |  |  |  |  | |
|  |  |  | Salaries Expense | | |
|  |  |  | Jul. 31 2,200 |  | |
|  |  |  | Bal. 2,200 |  | |
|  |  |  |  |  | |
|  |  |  | Rent Expense | | |
|  |  |  | Jul. 5 510 |  | |
|  |  |  | Jul. 31 1,900 |  | |
|  |  |  | Bal. 2,410 |  | |
|  |  |  |  | | |
|  |  |  | Utilities Expense | | |
|  |  |  | Jul. 31 560 |  | |
|  |  |  | Bal. 560 |  | |
|  |  |  |
|  |  |  | Advertising Expense | | |
|  |  |  | Jul. 28 240 | |  |
|  |  |  | Bal. 240 | |  |

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

|  |  |  |
| --- | --- | --- |
| VINCE YORK, MD | | |
| Trial Balance | | |
| July 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 56,050 |  |
| Accounts Receivable | 6,000 |  |
| Office Supplies | 1,600 |  |
| Land | 23,000 |  |
| Accounts Payable |  | $ 500 |
| Advertising Payable |  | 240 |
| Unearned Revenue |  | 1,120 |
| Notes Payable |  | 22,000 |
| Common Stock |  | 63,000 |
| Dividends | 7,200 |  |
| Service Revenue |  | 12,400 |
| Salaries Expense | 2,200 |  |
| Rent Expense | 2,410 |  |
| Utilities Expense | 560 |  |
| Advertising Expense | 240 |  |
| Total | **$ 99,260** | **$ 99,260** |
|  |  |  |

**P2-30A**

**Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Sep. 1 | Cash |  | 48,000 |  |
|  | Common Stock |  |  | 48,000 |
|  |  |  |  |  |
| 4 | Office Supplies |  | 1,200 |  |
|  | Furniture |  | 1,300 |  |
|  | Accounts Payable |  |  | 2,500 |
|  |  |  |  |  |
| 6 | Cash |  | 1,900 |  |
|  | Service Revenue |  |  | 1,900 |
|  |  |  |  |  |
| 7 | Land |  | 18,000 |  |
|  | Cash |  |  | 18,000 |
|  |  |  |  |  |
| 10 | Accounts Receivable |  | 1,200 |  |
|  | Service Revenue |  |  | 1,200 |
|  |  |  |  |  |
| 14 | Accounts Payable |  | 1,300 |  |
|  | Cash |  |  | 1,300 |
|  |  |  |  |  |
| 15 | Salaries Expense |  | 1,500 |  |
|  | Cash |  |  | 1,500 |
|  |  |  |  |  |
| 17 | Cash |  | 1,000 |  |
|  | Accounts Receivable |  |  | 1,000 |
|  |  |  |  |  |
| 20 | Accounts Receivable |  | 650 |  |
|  | Service Revenue |  |  | 650 |
|  |  |  |  |  |
| 25 | Cash |  | 2,100 |  |
|  | Unearned Revenue |  |  | 2,100 |
|  |  |  |  |  |
| 28 | Cash |  | 2,900 |  |
|  | Service Revenue |  |  | 2,900 |
|  |  |  |  |  |
| 29 | Prepaid Insurance |  | 600 |  |
|  | Cash |  |  | 600 |
|  |  |  |  |  |
| 30 | Salaries Expense |  | 1,500 |  |
|  | Cash |  |  | 1,500 |
|  |  |  |  |  |
| 30 | Rent Expense |  | 600 |  |
|  | Cash |  |  | 600 |

**P2-30A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| 30 | Utilities Expense |  | 350 |  |
|  | Utilities Payable |  |  | 350 |
|  |  |  |  |  |
| 30 | Dividends |  | 3,700 |  |
|  | Cash |  |  | 3,700 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Sep. 1 48,000 | 18,000 Sep. 7 |  | Sep. 14 1,300 | 2,500 Sep. 4 |
| Sep. 6 1,900 | 1,300 Sep. 14 |  |  | 1,200 Bal. |
| Sep. 17 1,000 | 1,500 Sep. 15 |  |  |  |
| Sep. 25 2,100 | 600 Sep. 29 |  |  |  |
| Sep. 28 2,900 | 1,500 Sep. 30 |  | Utilities Payable | |
|  | 600 Sep. 30 |  |  | 350 Sep. 30 |
|  | 3,700 Sep. 30 |  |  | 350 Bal. |
| Bal. 28,700 |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Sep. 10 1,200 | 1,000 Sep. 17 |  |  | 2,100 Sep. 25 |
| Sep. 20 650 |  |  |  | 2,100 Bal. |
| Bal. 850 |  |  |  |  |
|  |  |  |  |  |
| Office Supplies | |  | Common Stock | |
| Sep. 4 1,200 |  |  |  | 48,000 Sep. 1 |
| Bal. 1,200 |  |  |  | 48,000 Bal. |
|  |  |  |  |  |
| Prepaid Insurance | |  | Dividends | |
| Sep. 29 600 |  |  | Sep. 30 3,700 |  |
| Bal. 600 |  |  | Bal. 3,700 |  |
|  |  |  |  |  |
| Land | |  | Service Revenue | |
| Sep. 7 18,000 |  |  |  | 1,900 Sep. 6 |
| Bal. 18,000 |  |  |  | 1,200 Sep. 10 |
|  |  |  |  | 650 Sep. 20 |
| Furniture | |  |  | 2,900 Sep. 28 |
| Sep. 4 1,300 |  |  |  | 6,650 Bal. |
| Bal. 1,300 |  |  |  |  |

**P2-30A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Salaries Expense | |
|  |  |  | Sep. 15 1,500 |  |
|  |  |  | Sep. 30 1,500 |  |
|  |  |  | Bal. 3,000 |  |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Sep. 30 600 |  |
|  |  |  | Bal. 600 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Sep. 30 350 |  |
|  |  |  | Bal. 350 |  |
|  |  |  |  |  |

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| ANN SIMPSON, DESIGNER | | |
| Trial Balance | | |
| September 30, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 28,700 |  |
| Accounts Receivable | 850 |  |
| Office Supplies | 1,200 |  |
| Prepaid Insurance | 600 |  |
| Land | 18,000 |  |
| Furniture | 1,300 |  |
| Accounts Payable |  | $ 1,200 |
| Utilities Payable |  | 350 |
| Unearned Revenue |  | 2,100 |
| Common Stock |  | 48,000 |
| Dividends | 3,700 |  |
| Service Revenue |  | 6,650 |
| Salaries Expense | 3,000 |  |
| Rent Expense | 600 |  |
| Utilities Expense | 350 |  |
| Total | **$ 58,300** | **$ 58,300** |
|  |  |  |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Jan. 1 | Cash | 101 | 78,000 |  |
|  | Common Stock | 301 |  | 78,000 |
|  |  |  |  |  |
| 3 | Office Supplies | 121 | 600 |  |
|  | Furniture | 161 | 1,700 |  |
|  | Accounts Payable | 201 |  | 2,300 |
|  |  |  |  |  |
| 4 | Cash | 101 | 1,000 |  |
|  | Service Revenue | 411 |  | 1,000 |
|  |  |  |  |  |
| 7 | Building | 151 | 130,000 |  |
|  | Land | 141 | 25,000 |  |
|  | Cash | 101 |  | 25,000 |
|  | Notes Payable | 221 |  | 130,000 |
|  |  |  |  |  |
| 11 | Accounts Receivable | 111 | 400 |  |
|  | Service Revenue | 411 |  | 400 |
|  |  |  |  |  |
| 15 | Salaries Expense | 511 | 1,120 |  |
|  | Cash | 101 |  | 1,120 |
|  |  |  |  |  |
| 16 | Accounts Payable | 201 | 600 |  |
|  | Cash | 101 |  | 600 |
|  |  |  |  |  |
| 18 | Cash | 101 | 2,700 |  |
|  | Service Revenue | 411 |  | 2,700 |
|  |  |  |  |  |
| 19 | Accounts Receivable | 111 | 1,800 |  |
|  | Service Revenue | 411 |  | 1,800 |
|  |  |  |  |  |
| 25 | Utilities Expense | 531 | 600 |  |
|  | Utilities Payable | 211 |  | 600 |
|  |  |  |  |  |
| 29 | Cash | 101 | 1,500 |  |
|  | Accounts Receivable | 111 |  | 1,500 |
|  |  |  |  |  |
| 30 | Prepaid Insurance | 131 | 1,200 |  |
|  | Cash | 101 |  | 1,200 |
|  |  |  |  |  |
| 30 | Salaries Expense | 511 | 1,120 |  |
|  | Cash | 101 |  | 1,120 |
|  |  |  |  |  |

**P2-31A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 | Rent Expense | 521 | 1,800 |  |
|  | Cash | 101 |  | 1,800 |
|  |  |  |  |  |
| 31 | Dividends | 311 | 2,200 |  |
|  | Cash | 101 |  | 2,200 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 101 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 1 |  | J1 | 78,000 |  | 78,000 |  |
| Jan. 4 |  | J1 | 1,000 |  | 79,000 |  |
| Jan. 7 |  | J1 |  | 25,000 | 54,000 |  |
| Jan. 15 |  | J1 |  | 1,120 | 52,880 |  |
| Jan. 16 |  | J1 |  | 600 | 52,280 |  |
| Jan. 18 |  | J1 | 2,700 |  | 54,980 |  |
| Jan. 29 |  | J1 | 1,500 |  | 56,480 |  |
| Jan. 30 |  | J1 |  | 1,200 | 55,280 |  |
| Jan. 30 |  | J1 |  | 1,120 | 54,160 |  |
| Jan. 31 |  | J1 |  | 1,800 | 52,360 |  |
| Jan. 31 |  | J1 |  | 2,200 | 50,160 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 111 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 11 |  | J1 | 400 |  | 400 |  |
| Jan. 19 |  | J1 | 1,800 |  | 2,200 |  |
| Jan. 29 |  | J1 |  | 1,500 | 700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 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 | 1,200 |  | 1,200 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 141 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 | 25,000 |  | 25,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 151 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 | 130,000 |  | 130,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 161 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 3 |  | J1 | 1,700 |  | 1,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 201 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 3 |  | J1 |  | 2,300 |  | 2,300 |
| Jan. 16 |  | J1 | 600 |  |  | 1,700 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 211 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 25 |  | J1 |  | 600 |  | 600 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NOTES PAYABLE | | | | | Account No. 221 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 7 |  | J1 |  | 130,000 |  | 130,000 |

**P2-31A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 301 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 1 |  | J1 |  | 78,000 |  | 78,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| DIVIDENDS | | | | | Account No. 311 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 |  | J1 | 2,200 |  | 2,200 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 411 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 4 |  | J1 |  | 1,000 |  | 1,000 |
| Jan. 11 |  | J1 |  | 400 |  | 1,400 |
| Jan. 18 |  | J1 |  | 2,700 |  | 4,100 |
| Jan. 19 |  | J1 |  | 1,800 |  | 5,900 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 511 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 15 |  | J1 | 1,120 |  | 1,120 |  |
| Jan. 30 |  | J1 | 1,120 |  | 2,240 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 521 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 31 |  | J1 | 1,800 |  | 1,800 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES EXPENSE | | | | | Account No. 531 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Jan. 25 |  | J1 | 600 |  | 600 |  |

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

|  |  |  |
| --- | --- | --- |
| TERRENCE MURPHY, ATTORNEY | | |
| Trial Balance | | |
| January 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 50,160 |  |
| Accounts Receivable | 700 |  |
| Office Supplies | 600 |  |
| Prepaid Insurance | 1,200 |  |
| Land | 25,000 |  |
| Building | 130,000 |  |
| Furniture | 1,700 |  |
| Accounts Payable |  | $ 1,700 |
| Utilities Payable |  | 600 |
| Notes Payable |  | 130,000 |
| Common Stock |  | 78,000 |
| Dividends | 2,200 |  |
| Service Revenue |  | 5,900 |
| Salaries Expense | 2,240 |  |
| Rent Expense | 1,800 |  |
| Utilities Expense | 600 |  |
| Total | **$ 216,200** | **$ 216,200** |
|  |  |  |

**P2-32A  
Requirement 1**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Post.**  **Ref.** | **Debit** | **Credit** | |
| Apr. 4 | Cash | 11 | 2,500 | |  | |
|  | Accounts Receivable | 12 |  | | 2,500 | |
|  | *Received cash from client on account.* |  |  | |  | |
|  |  |  |  | |  | |
| 8 | Accounts Receivable | 12 | 5,400 | |  | |
|  | Service Revenue | 41 |  | | 5,400 | |
|  | *Performed tax services for client on account.* |  |  | |  | |
|  |  |  |  | |  | |
| 13 | Accounts Payable | 21 | 3,000 | |  | |
|  | Cash | 11 |  | | 3,000 | |
|  | *Paid cash on account.* |  |  | |  | |
|  |  |  |  | |  | |

**P2-32A, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Apr. 14 | Furniture | 15 | 3,600 |  |
|  | Accounts Payable | 21 |  | 3,600 |
|  | *Purchased furniture on account.* |  |  |  |
|  |  |  |  |  |
| 15 | Automobile | 16 | 9,500 |  |
|  | Common Stock | 31 |  | 9,500 |
|  | *Issued common stock in exchange for automobile.* |  |  |  |
|  |  |  |  |  |
| 18 | Office Supplies | 13 | 900 |  |
|  | Accounts Payable | 21 |  | 900 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Cash | 11 | 2,700 |  |
|  | Accounts Receivable | 12 |  | 2,700 |
|  | *Received cash on account.* |  |  |  |
|  |  |  |  |  |
| 20 | Dividends | 33 | 6,500 |  |
|  | Cash | 11 |  | 6,500 |
|  | *Paid cash dividends.* |  |  |  |
|  |  |  |  |  |
| 21 | Cash | 11 | 5,700 |  |
|  | Service Revenue | 41 |  | 5,700 |
|  | *Received cash for consulting work.* |  |  |  |
|  |  |  |  |  |
| 24 | Cash | 11 | 2,400 |  |
|  | Unearned Revenue | 22 |  | 2,400 |
|  | *Received payment for services to be performed next month.* |  |  |  |
|  |  |  |  |  |
| 27 | Rent Expense | 52 | 600 |  |
|  | Cash | 11 |  | 600 |
|  | *Paid office rent.* |  |  |  |
|  |  |  |  |  |
| 28 | Salaries Expense | 51 | 1,700 |  |
|  | Cash | 11 |  | 1,700 |
|  | *Paid employee salary.* |  |  |  |
|  |  |  |  |  |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 11 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 11,000 |  |
| Apr. 4 |  | J5 | 2,500 |  | 13,500 |  |
| Apr. 13 |  | J5 |  | 3,000 | 10,500 |  |
| Apr. 19 |  | J5 | 2,700 |  | 13,200 |  |
| Apr. 20 |  | J5 |  | 6,500 | 6,700 |  |
| Apr. 21 |  | J5 | 5,700 |  | 12,400 |  |
| Apr. 24 |  | J5 | 2,400 |  | 14,800 |  |
| Apr. 27 |  | J5 |  | 600 | 14,200 |  |
| Apr. 28 |  | J5 |  | 1,700 | 12,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 12 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 16,500 |  |
| Apr. 4 |  | J5 |  | 2,500 | 14,000 |  |
| Apr. 8 |  | J5 | 5,400 |  | 19,400 |  |
| Apr. 19 |  | J5 |  | 2,700 | 16,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 13 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 400 |  |
| Apr. 18 |  | J5 | 900 |  | 1,300 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 14 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 30,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 15 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 14 |  | J5 | 3,600 |  | 3,600 |  |

**P2-32A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| AUTOMOBILE | | | | | Account No. 16 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 15 |  | J5 | 9,500 |  | 9,500 |  |
|  | | | | |  | |
| ACCOUNTS PAYABLE | | | | | Account No. 21 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 3,800 |
| Apr. 13 |  | J5 | 3,000 |  |  | 800 |
| Apr. 14 |  | J5 |  | 3,600 |  | 4,400 |
| Apr. 18 |  | J5 |  | 900 |  | 5,300 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 22 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 24 |  | J5 |  | 2,400 |  | 2,400 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 31 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 52,300 |
| Apr. 15 |  | J5 |  | 9,500 |  | 61,800 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| DIVIDENDS | | | | | Account No. 33 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 20 |  | J5 | 6,500 |  | 6,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 41 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 8,200 |
| Apr. 8 |  | J5 |  | 5,400 |  | 13,600 |
| Apr. 21 |  | J5 |  | 5,700 |  | 19,300 |

**P2-32A, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 51 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 5,600 |  |
| Apr. 28 |  | J5 | 1,700 |  | 7,300 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 52 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 800 |  |
| Apr. 27 |  | J5 | 600 |  | 1,400 |  |

**Requirement 4**

|  |  |  |  |
| --- | --- | --- | --- |
| SHAWN MERRY, CPA | | | |
| Trial Balance | | | |
| April 30, 2018 | | | |
|  | | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 11 | Cash | $ 12,500 |  |
| 12 | Accounts Receivable | 16,700 |  |
| 13 | Office Supplies | 1,300 |  |
| 14 | Land | 30,000 |  |
| 15 | Furniture | 3,600 |  |
| 16 | Automobile | 9,500 |  |
| 21 | Accounts Payable |  | $ 5,300 |
| 22 | Unearned Revenue |  | 2,400 |
| 31 | Common Stock |  | 61,800 |
| 33 | Dividends | 6,500 |  |
| 41 | Service Revenue |  | 19,300 |
| 51 | Salaries Expense | 7,300 |  |
| 52 | Rent Expense | 1,400 |  |
|  | Total | **$ 88,800** | **$ 88,800** |
|  |  |  |  |

**P2-33A**

|  |  |  |
| --- | --- | --- |
| BEAUTIFUL TOTS CHILD CARE | | |
| Trial Balance | | |
| August 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 10,900 |  |
| Accounts Receivable | 14,900 |  |
| Office Supplies | 2,400 |  |
| Prepaid Insurance | 4,100 |  |
| Equipment | 83,000 |  |
| Accounts Payable |  | $ 4,800 |
| Notes Payable |  | 45,000 |
| Common Stock |  | 57,000 |
| Dividends | 3,200 |  |
| Service Revenue |  | 16,450 |
| Salaries Expense | 3,700 |  |
| Rent Expense | 750 |  |
| Advertising Expense | 300 |  |
| Total | **$ 123,250** | **$ 123,250** |
|  |  |  |

Explanations:

a. Increase Cash by $1,500.

b. Increase Accounts Receivable by $8,200 ($4,100 × 2).

c. Increase Office Supplies and Accounts Payable by $1,400 each.

d. Decrease Equipment by $8,500 ($91,500 − $83,000).

e. Decrease Salaries Expense by $700.

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

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

h. Service Revenue should increase by $4,100.

i. Prepaid Insurance should increase by $3,800 ($1,900 × 2).

**P2-34A  
Requirement 1**

|  |  |  |
| --- | --- | --- |
| SARA SIMON, REGISTERED DIETICIAN | | |
| Income Statement | | |
| Month Ended July 31, 2018 | | |
|  |  |  |
| Revenues: |  |  |
| Service Revenue |  | $ 17,888 |
| Expenses: |  |  |
| Salaries Expense | $ 1,700 |  |
| Rent Expense | 1,100 |  |
| Utilities Expense | 500 |  |
| Total Expenses |  | 3,300 |
| Net Income |  | $ 14,588 |
|  |  |  |

**Requirement 2**

|  |  |
| --- | --- |
| SARA SIMON, REGISTERED DIETICIAN | |
| Statement of Retained Earnings | |
| Month Ended July 31, 2018 | |
| Retained Earnings, July 1, 2018 | $ 0 |
| Net income for the month | 14,588 |
|  | 14,588 |
| Dividends | (2,800) |
| Retained Earnings, July 31, 2018 | $ 11,788 |
|  |  |

**P2-34A, cont.  
Requirements 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SARA SIMON, REGISTERED DIETICIAN | | | | |
| Balance Sheet | | | | |
| July 31, 2018 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 38,000 |  | Accounts Payable | $ 3,000 |
| Accounts Receivable | 9,000 |  | Unearned Revenue | 3,912 |
| Office Supplies | 2,300 |  | Notes Payable | 31,000 |
| Prepaid Insurance | 2,400 |  | Total Liabilities | 37,912 |
| Equipment | 16,000 |  |  | |
|  |  |  | Stockholders’ Equity | |
|  |  |  | Common Stock | 18,000 |
|  |  |  | Retained Earnings | 11,788 |
|  |  |  | Total Stockholders’ Equity | 29,788 |
| Total Assets | $ 67,700 |  | Total Liabilities and Stockholders' Equity | $ 67,700 |
|  |  |  |  |  |

**Requirement 4**

Debt ratio = Total liabilities / Total assets = $37,912 / $67,700 = 0.56 = 56%

***Problems (Group B)***

**P2-35B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Mar. 1 | Cash |  | 62,000 |  |
|  | Common Stock |  |  | 62,000 |
|  |  |  |  |  |
| 5 | Rent Expense |  | 570 |  |
|  | Cash |  |  | 570 |
|  |  |  |  |  |
| 9 | Land |  | 14,000 |  |
|  | Cash |  |  | 14,000 |
|  |  |  |  |  |
| 10 | Office Supplies |  | 1,500 |  |
|  | Accounts Payable |  |  | 1,500 |
|  |  |  |  |  |
| 19 | Cash |  | 27,000 |  |
|  | Notes Payable |  |  | 27,000 |
|  |  |  |  |  |
| 22 | Accounts Payable |  | 1,400 |  |
|  | Cash |  |  | 1,400 |
|  |  |  |  |  |
| 28 | Advertising Expense |  | 220 |  |
|  | Advertising Payable |  |  | 220 |
|  |  |  |  |  |
| 31 | Cash |  | 6,700 |  |
|  | Accounts Receivable |  | 5,800 |  |
|  | Service Revenue |  |  | 12,500 |
|  |  |  |  |  |
| 31 | Salaries Expense |  | 2,100 |  |
|  | Rent Expense |  | 1,500 |  |
|  | Utilities Expense |  | 350 |  |
|  | Cash |  |  | 3,950 |
|  |  |  |  |  |
| 31 | Cash |  | 1,000 |  |
|  | Unearned Revenue |  |  | 1,000 |
|  |  |  |  |  |
| 31 | Dividends |  | 7,100 |  |
|  | Cash |  |  | 7,100 |
|  |  |  |  |  |

**P2-35B, cont.   
Requirement 2**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Mar. 1 62,000 | 570 Mar. 5 |  | Mar. 22 1,400 | 1,500 Mar. 10 |
| Mar. 19 27,000 | 14,000 Mar. 9 |  |  | 100 Bal. |
| Mar. 31 6,700 | 1,400 Mar. 22 |  |  |  |
| Mar. 31 1,000 | 3,950 Mar. 31 |  | Advertising Payable | |
|  | 7,100 Mar. 31 |  |  | 220 Mar. 28 |
| Bal. 69,680 |  |  |  | 220 Bal. |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Mar. 31 5,800 |  |  |  | 1,000 Mar. 31 |
| Bal. 5,800 |  |  |  | 1,000 Bal. |
|  |  |  |  |  |
| Office Supplies | |  | Notes Payable | |
| Mar. 10 1,500 |  |  |  | 27,000 Mar. 19 |
| Bal. 1,500 |  |  |  | 27,000 Bal. |
|  |  |  |  |  |
| Land | |  | Common Stock | |
| Mar. 9 14,000 |  |  |  | 62,000 Mar. 1 |
| Bal. 14,000 |  |  |  | 62,000 Bal. |
|  |  |  |  |  |
|  |  |  | Dividends | |
|  |  |  | Mar. 31 7,100 |  |
|  |  |  | Bal. 7,100 |  |
|  |  |  |  |  |
|  |  |  | Service Revenue | |
|  |  |  |  | 12,500 Mar. 31 |
|  |  |  |  | 12,500 Bal. |
|  |  |  |  |  |
|  |  |  | Salaries Expense | |
|  |  |  | Mar. 31 2,100 |  |
|  |  |  | Bal. 2,100 |  |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Mar. 5 570 |  |
|  |  |  | Mar. 31 1,500 |  |
|  |  |  | Bal. 2,070 |  |
|  |  |  |  | |
|  |  |  | Utilities Expense | |
|  |  |  | Mar. 31 350 |  |
|  |  |  | Bal. 350 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | Mar. 28 220 |  |
|  |  |  | Bal. 220 |  |

**P2-35B, cont.   
Requirement 3**

|  |  |  |
| --- | --- | --- |
| VICTOR YANG, MD | | |
| Trial Balance | | |
| March 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 69,680 |  |
| Accounts Receivable | 5,800 |  |
| Office Supplies | 1,500 |  |
| Land | 14,000 |  |
| Accounts Payable |  | $ 100 |
| Advertising Payable |  | 220 |
| Unearned Revenue |  | 1,000 |
| Notes Payable |  | 27,000 |
| Common Stock |  | 62,000 |
| Dividends | 7,100 |  |
| Service Revenue |  | 12,500 |
| Salaries Expense | 2,100 |  |
| Rent Expense | 2,070 |  |
| Utilities Expense | 350 |  |
| Advertising Expense | 220 |  |
| Total | **$ 102,820** | **$ 102,820** |
|  |  |  |

**P2-36B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Nov. 1 | Cash |  | 41,000 |  |
|  | Common Stock |  |  | 41,000 |
|  |  |  |  |  |
| 4 | Office Supplies |  | 1,200 |  |
|  | Furniture |  | 2,300 |  |
|  | Accounts Payable |  |  | 3,500 |
|  |  |  |  |  |
| 6 | Cash |  | 2,100 |  |
|  | Service Revenue |  |  | 2,100 |
|  |  |  |  |  |
| 7 | Land |  | 27,000 |  |
|  | Cash |  |  | 27,000 |
|  |  |  |  |  |
| 10 | Accounts Receivable |  | 800 |  |
|  | Service Revenue |  |  | 800 |
|  |  |  |  |  |
| 14 | Accounts Payable |  | 2,300 |  |
|  | Cash |  |  | 2,300 |
|  |  |  |  |  |
| 15 | Salaries Expense |  | 1,470 |  |
|  | Cash |  |  | 1,470 |
|  |  |  |  |  |
| 17 | Cash |  | 500 |  |
|  | Accounts Receivable |  |  | 500 |
|  |  |  |  |  |
| 20 | Accounts Receivable |  | 680 |  |
|  | Service Revenue |  |  | 680 |
|  |  |  |  |  |
| 25 | Cash |  | 1,900 |  |
|  | Unearned Revenue |  |  | 1,900 |
|  |  |  |  |  |
| 28 | Cash |  | 3,100 |  |
|  | Service Revenue |  |  | 3,100 |
|  |  |  |  |  |
| 29 | Prepaid Insurance |  | 840 |  |
|  | Cash |  |  | 840 |
|  |  |  |  |  |
| 30 | Salaries Expense |  | 1,470 |  |
|  | Cash |  |  | 1,470 |
|  |  |  |  |  |
| 30 | Rent Expense |  | 650 |  |
|  | Cash |  |  | 650 |
|  |  |  |  |  |

**P2-36B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Nov. 30 | Utilities Expense |  | 650 |  |
|  | Utilities Payable |  |  | 650 |
|  |  |  |  |  |
| 30 | Dividends |  | 2,800 |  |
|  | Cash |  |  | 2,800 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Nov. 1 41,000 | 27,000 Nov. 7 |  | Nov. 14 2,300 | 3,500 Nov. 4 |
| Nov. 6 2,100 | 2,300 Nov. 14 |  |  | 1,200 Bal. |
| Nov. 17 500 | 1,470 Nov. 15 |  |  |  |
| Nov. 25 1,900 | 840 Nov. 29 |  |  |  |
| Nov. 28 3,100 | 1,470 Nov. 30 |  | Utilities Payable | |
|  | 650 Nov. 30 |  |  | 650 Nov. 30 |
|  | 2,800 Nov. 30 |  |  | 650 Bal. |
| Bal. 12,070 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Nov. 10 800 | 500 Nov. 17 |  |  | 1,900 Nov. 25 |
| Nov. 20 680 |  |  |  | 1,900 Bal. |
| Bal. 980 |  |  |  |  |
|  |  |  |  |  |
| Office Supplies | |  | Common Stock | |
| Nov. 4 1,200 |  |  |  | 41,000 Nov. 1 |
| Bal. 1,200 |  |  |  | 41,000 Bal. |
|  |  |  |  |  |
| Prepaid Insurance | |  | Dividends | |
| Nov. 29 840 |  |  | Nov. 30 2,800 |  |
| Bal. 840 |  |  | Bal. 2,800 |  |
|  |  |  |  |  |
| Land | |  | Service Revenue | |
| Nov. 7 27,000 |  |  |  | 2,100 Nov. 6 |
| Bal. 27,000 |  |  |  | 800 Nov. 10 |
|  |  |  |  | 680 Nov. 20 |
| Furniture | |  |  | 3,100 Nov. 28 |
| Nov. 4 2,300 |  |  |  | 6,680 Bal. |
| Bal. 2,300 |  |  |  |  |
|  |  |  |  |  |
|  |  |  | Salaries Expense | |
|  |  |  | Nov. 15 1,470 |  |
|  |  |  | Nov. 30 1,470 |  |
|  |  |  | Bal. 2,940 |  |

**P2-36B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  | Rent Expense | |
|  |  |  | Nov. 30 650 |  |
|  |  |  | Bal. 650 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Nov. 30 650 |  |
|  |  |  | Bal. 650 |  |
|  |  |  |  |  |

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| BETH STEWART, DESIGNER | | |
| Trial Balance | | |
| November 30, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 12,070 |  |
| Accounts Receivable | 980 |  |
| Office Supplies | 1,200 |  |
| Prepaid Insurance | 840 |  |
| Land | 27,000 |  |
| Furniture | 2,300 |  |
| Accounts Payable |  | $ 1,200 |
| Utilities Payable |  | 650 |
| Unearned Revenue |  | 1,900 |
| Common Stock |  | 41,000 |
| Dividends | 2,800 |  |
| Service Revenue |  | 6,680 |
| Salaries Expense | 2,940 |  |
| Rent Expense | 650 |  |
| Utilities Expense | 650 |  |
| Total | **$ 51,430** | **$ 51,430** |
|  |  |  |

**P2-37B   
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Apr. 1 | Cash | 101 | 70,000 |  |
|  | Common Stock | 301 |  | 70,000 |
|  |  |  |  |  |
| 3 | Office Supplies | 121 | 1,100 |  |
|  | Furniture | 161 | 1,300 |  |
|  | Accounts Payable | 201 |  | 2,400 |
|  |  |  |  |  |
| 4 | Cash | 101 | 2,000 |  |
|  | Service Revenue | 411 |  | 2,000 |
|  |  |  |  |  |
| 7 | Building | 151 | 150,000 |  |
|  | Land | 141 | 30,000 |  |
|  | Cash | 101 |  | 40,000 |
|  | Notes Payable | 221 |  | 140,000 |
|  |  |  |  |  |
| 11 | Accounts Receivable | 111 | 400 |  |
|  | Service Revenue | 411 |  | 400 |
|  |  |  |  |  |
| 15 | Salaries Expense | 511 | 1,200 |  |
|  | Cash | 101 |  | 1,200 |
|  |  |  |  |  |
| 16 | Accounts Payable | 201 | 1,100 |  |
|  | Cash | 101 |  | 1,100 |
|  |  |  |  |  |
| 18 | Cash | 101 | 2,700 |  |
|  | Service Revenue | 411 |  | 2,700 |
|  |  |  |  |  |
| 19 | Accounts Receivable | 111 | 1,700 |  |
|  | Service Revenue | 411 |  | 1,700 |
|  |  |  |  |  |
| 25 | Utilities Expense | 531 | 650 |  |
|  | Utilities Payable | 211 |  | 650 |
|  |  |  |  |  |
| 28 | Cash | 101 | 1,100 |  |
|  | Accounts Receivable | 111 |  | 1,100 |
|  |  |  |  |  |
| 29 | Prepaid Insurance | 131 | 3,600 |  |
|  | Cash | 101 |  | 3,600 |
|  |  |  |  |  |
| 29 | Salaries Expense | 511 | 1,200 |  |
|  | Cash | 101 |  | 1,200 |
|  |  |  |  |  |

**P2-37B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Apr. 30 | Rent Expense | 521 | 2,100 |  |
|  | Cash | 101 |  | 2,100 |
|  |  |  |  |  |
| 30 | Dividends | 311 | 3,200 |  |
|  | Cash | 101 |  | 3,200 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 101 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 1 |  | J1 | 70,000 |  | 70,000 |  |
| Apr. 4 |  | J1 | 2,000 |  | 72,000 |  |
| Apr. 7 |  | J1 |  | 40,000 | 32,000 |  |
| Apr. 15 |  | J1 |  | 1,200 | 30,800 |  |
| Apr. 16 |  | J1 |  | 1,100 | 29,700 |  |
| Apr. 18 |  | J1 | 2,700 |  | 32,400 |  |
| Apr. 28 |  | J1 | 1,100 |  | 33,500 |  |
| Apr. 29 |  | J1 |  | 3,600 | 29,900 |  |
| Apr. 29 |  | J1 |  | 1,200 | 28,700 |  |
| Apr. 30 |  | J1 |  | 2,100 | 26,600 |  |
| Apr. 30 |  | J1 |  | 3,200 | 23,400 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 111 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 11 |  | J1 | 400 |  | 400 |  |
| Apr. 19 |  | J1 | 1,700 |  | 2,100 |  |
| Apr. 28 |  | J1 |  | 1,100 | 1,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 121 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 | 1,100 |  | 1,100 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PREPAID INSURANCE | | | | | Account No. 131 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 29 |  | J1 | 3,600 |  | 3,600 |  |

**P2-37B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 141 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 | 30,000 |  | 30,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| BUILDING | | | | | Account No. 151 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 | 150,000 |  | 150,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FURNITURE | | | | | Account No. 161 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 | 1,300 |  | 1,300 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 201 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 3 |  | J1 |  | 2,400 |  | 2,400 |
| Apr. 16 |  | J1 | 1,100 |  |  | 1,300 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES PAYABLE | | | | | Account No. 211 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 25 |  | J1 |  | 650 |  | 650 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NOTES PAYABLE | | | | | Account No. 221 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 7 |  | J1 |  | 140,000 |  | 140,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 301 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 1 |  | J1 |  | 70,000 |  | 70,000 |

**P2-37B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| DIVIDENDS | | | | | Account No. 311 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 30 |  | J1 | 3,200 |  | 3,200 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 411 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 4 |  | J1 |  | 2,000 |  | 2,000 |
| Apr. 11 |  | J1 |  | 400 |  | 2,400 |
| Apr. 18 |  | J1 |  | 2,700 |  | 5,100 |
| Apr. 19 |  | J1 |  | 1,700 |  | 6,800 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 511 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 15 |  | J1 | 1,200 |  | 1,200 |  |
| Apr. 29 |  | J1 | 1,200 |  | 2,400 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 521 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 30 |  | J1 | 2,100 |  | 2,100 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UTILITIES EXPENSE | | | | | Account No. 531 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 25 |  | J1 | 650 |  | 650 |  |

**P2-37B, cont.  
Requirement 4**

|  |  |  |
| --- | --- | --- |
| THEODORE MCMAHON, ATTORNEY | | |
| Trial Balance | | |
| April 30, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 23,400 |  |
| Accounts Receivable | 1,000 |  |
| Office Supplies | 1,100 |  |
| Prepaid Insurance | 3,600 |  |
| Land | 30,000 |  |
| Building | 150,000 |  |
| Furniture | 1,300 |  |
| Accounts Payable |  | $ 1,300 |
| Utilities Payable |  | 650 |
| Notes Payable |  | 140,000 |
| Common Stock |  | 70,000 |
| Dividends | 3,200 |  |
| Service Revenue |  | 6,800 |
| Salaries Expense | 2,400 |  |
| Rent Expense | 2,100 |  |
| Utilities Expense | 650 |  |
| Total | **$ 218,750** | **$ 218,750** |
|  |  |  |

**P2-38B  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Apr. 4 | Cash | 11 | 6,000 |  |
|  | Accounts Receivable | 12 |  | 6,000 |
|  | *Received cash from client on account.* |  |  |  |
|  |  |  |  |  |
| 8 | Accounts Receivable | 12 | 5,500 |  |
|  | Service Revenue | 41 |  | 5,500 |
|  | *Performed tax services for client on account.* |  |  |  |
|  |  |  |  |  |
| 13 | Accounts Payable | 21 | 3,300 |  |
|  | Cash | 11 |  | 3,300 |
|  | *Paid cash on account.* |  |  |  |
|  |  |  |  |  |
| 14 | Furniture | 15 | 4,000 |  |
|  | Accounts Payable | 21 |  | 4,000 |
|  | *Purchased furniture on account.* |  |  |  |
|  |  |  |  |  |
| 15 | Automobile | 16 | 11,500 |  |
|  | Common Stock | 31 |  | 11,500 |
|  | *Issued common stock in exchange for automobile.* |  |  |  |
|  |  |  |  |  |
| 18 | Office Supplies | 13 | 1,600 |  |
|  | Accounts Payable | 21 |  | 1,600 |
|  | *Purchased office supplies on account.* |  |  |  |
|  |  |  |  |  |
| 19 | Cash | 11 | 2,750 |  |
|  | Accounts Receivable | 12 |  | 2,750 |
|  | *Received cash on account.* |  |  |  |
|  |  |  |  |  |
| 20 | Dividends | 33 | 7,500 |  |
|  | Cash | 11 |  | 7,500 |
|  | *Paid cash dividends to stockholders.* |  |  |  |
|  |  |  |  |  |
| 21 | Cash | 11 | 4,900 |  |
|  | Service Revenue | 41 |  | 4,900 |
|  | *Received cash for consulting work.* |  |  |  |
|  |  |  |  |  |
| 24 | Cash | 11 | 2,500 |  |
|  | Unearned Revenue | 22 |  | 2,500 |
|  | *Received payment for services to be performed next month.* |  |  |  |

**P2-38B, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Apr. 27 | Rent Expense | 52 | 900 |  |
|  | Cash | 11 |  | 900 |
|  | *Paid office rent.* |  |  |  |
|  |  |  |  |  |
| 28 | Salaries Expense | 51 | 1,200 |  |
|  | Cash | 11 |  | 1,200 |
|  | *Paid employee salary.* |  |  |  |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CASH | | | | | Account No. 11 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 17,000 |  |
| Apr. 4 |  | J5 | 6,000 |  | 23,000 |  |
| Apr. 13 |  | J5 |  | 3,300 | 19,700 |  |
| Apr. 19 |  | J5 | 2,750 |  | 22,450 |  |
| Apr. 20 |  | J5 |  | 7,500 | 14,950 |  |
| Apr. 21 |  | J5 | 4,900 |  | 19,850 |  |
| Apr. 24 |  | J5 | 2,500 |  | 22,350 |  |
| Apr. 27 |  | J5 |  | 900 | 21,450 |  |
| Apr. 28 |  | J5 |  | 1,200 | 20,250 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS RECEIVABLE | | | | | Account No. 12 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 10,500 |  |
| Apr. 4 |  | J5 |  | 6,000 | 4,500 |  |
| Apr. 8 |  | J5 | 5,500 |  | 10,000 |  |
| Apr. 19 |  | J5 |  | 2,750 | 7,250 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OFFICE SUPPLIES | | | | | Account No. 13 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 1,200 |  |
| Apr. 18 |  | J5 | 1,600 |  | 2,800 |  |

**P2-38B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| LAND | | | | | Account No. 14 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 29,000 |  |
| FURNITURE | | | | | Account No. 15 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 14 |  | J5 | 4,000 |  | 4,000 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| AUTOMOBILE | | | | | Account No. 16 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 15 |  | J5 | 11,500 |  | 11,500 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ACCOUNTS PAYABLE | | | | | Account No. 21 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 3,800 |
| Apr. 13 |  | J5 | 3,300 |  |  | 500 |
| Apr. 14 |  | J5 |  | 4,000 |  | 4,500 |
| Apr. 18 |  | J5 |  | 1,600 |  | 6,100 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| UNEARNED REVENUE | | | | | Account No. 22 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 24 |  | J5 |  | 2,500 |  | 2,500 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COMMON STOCK | | | | | Account No. 31 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 46,200 |
| Apr. 15 |  | J5 |  | 11,500 |  | 57,700 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| DIVIDENDS | | | | | Account No. 33 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Apr. 20 |  | J5 | 7,500 |  | 7,500 |  |

**P2-38B, cont.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SERVICE REVENUE | | | | | Account No. 41 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  |  | 11,200 |
| Apr. 8 |  | J5 |  | 5,500 |  | 16,700 |
| Apr. 21 |  | J5 |  | 4,900 |  | 21,600 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SALARIES EXPENSE | | | | | Account No. 51 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 2,500 |  |
| Apr. 28 |  | J5 | 1,200 |  | 3,700 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| RENT EXPENSE | | | | | Account No. 52 | |
| Date | Item | Post Ref. | Debit | Credit | Balance | |
| Debit | Credit |
| Mar. 31 | Balance |  |  |  | 1,000 |  |
| Apr. 27 |  | J5 | 900 |  | 1,900 |  |

**Requirement 4**

|  |  |  |  |
| --- | --- | --- | --- |
| JOHN MENNING, CPA | | | |
| Trial Balance | | | |
| April 30, 2018 | | | |
|  | | | |
| **Acct. No.** | **Account Title** | **Balance** | |
|  |  | Debit | Credit |
| 11 | Cash | $ 20,250 |  |
| 12 | Accounts Receivable | 7,250 |  |
| 13 | Office Supplies | 2,800 |  |
| 14 | Land | 29,000 |  |
| 15 | Furniture | 4,000 |  |
| 16 | Automobile | 11,500 |  |
| 21 | Accounts Payable |  | $ 6,100 |
| 22 | Unearned Revenue |  | 2,500 |
| 31 | Common Stock |  | 57,700 |
| 33 | Dividends | 7,500 |  |
| 41 | Service Revenue |  | 21,600 |
| 51 | Salaries Expense | 3,700 |  |
| 52 | Rent Expense | 1,900 |  |
|  | Total | **$ 87,900** | **$ 87,900** |
|  |  |  |  |

**P2-39B**

|  |  |  |
| --- | --- | --- |
| LOVE TO LEARN CHILD CARE | | |
| Trial Balance | | |
| May 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 11,000 |  |
| Accounts Receivable | 16,300 |  |
| Office Supplies | 2,000 |  |
| Prepaid Insurance | 4,500 |  |
| Equipment | 82,500 |  |
| Accounts Payable |  | $ 4,000 |
| Notes Payable |  | 45,000 |
| Common Stock |  | 54,000 |
| Dividends | 2,300 |  |
| Service Revenue |  | 20,300 |
| Salaries Expense | 4,000 |  |
| Rent Expense | 400 |  |
| Advertising Expense | 300 |  |
| Total | **$ 123,300** | **$ 123,300** |
|  |  |  |

Explanations:

a. Increase Cash by $1,800.

b. Increase Accounts Receivable by $7,600 ($3,800 × 2).

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

d. Decrease Equipment by $7,900 ($90,400 − $82,500).

e. Decrease Salaries Expense by $350.

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

g. Dividends should decrease by $1,440 and Cash should increase by $1,440 ($1,600 − $160).

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

i. Prepaid Insurance should increase by $2,800 ($1,400 × 2).

**P2-40B  
Requirement 1**

|  |  |  |
| --- | --- | --- |
| SHEILA SANCHEZ, REGISTERED DIETICIAN | | |
| Income Statement | | |
| Month Ended July 31, 2018 | | |
|  |  |  |
| Revenues: |  |  |
| Service Revenue |  | $ 15,804 |
| Expenses: |  |  |
| Salaries Expense | $ 1,600 |  |
| Rent Expense | 700 |  |
| Utilities Expense | 100 |  |
| Total Expenses |  | 2,400 |
| Net Income |  | $ 13,404 |
|  |  |  |

**Requirement 2**

|  |  |
| --- | --- |
| SHEILA SANCHEZ, REGISTERED DIETICIAN | |
| Statement of Retained Earnings | |
| Month Ended July 31, 2018 | |
| Retained Earnings, July 1, 2018 | $ 0 |
| Net income for the month | 13,404 |
|  | 13,404 |
| Dividends | (3,000) |
| Retained Earnings, July 31, 2018 | $ 10,404 |
|  |  |

**P2-40B, cont.  
Requirement 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SHEILA SANCHEZ, REGISTERED DIETICIAN | | | | |
| Balance Sheet | | | | |
| July 31, 2018 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 32,000 |  | Accounts Payable | $ 3,400 |
| Accounts Receivable | 9,100 |  | Unearned Revenue | 1,296 |
| Office Supplies | 1,400 |  | Notes Payable | 34,000 |
| Prepaid Insurance | 2,600 |  | Total Liabilities | $ 38,696 |
| Equipment | 24,000 |  |  | |
|  |  |  | Stockholders’ Equity | |
|  |  |  | Common Stock | 20,000 |
|  |  |  | Retained Earnings | 10,404 |
|  |  |  | Total Stockholders’ Equity | 30,404 |
| Total Assets | $ 69,100 |  | Total Liabilities and Stockholders’ Equity | $ 69,100 |
|  |  |  |  |  |

**Requirement 4**

Debt ratio = Total liabilities / Total assets = $38,696 / $69,100 = 0.56 = 56%

***Using Excel***

**P2-41**

The student templates for *Using Excel* are available online in MyAccountingLab in the Multimedia Library or at http://www.pearsonhighered.com/Horngren. The solution to *Using Excel* is located in MyAccountingLab in the Instructor Resource Center or at http://www.pearsonhighered.com/Horngren.

***Continuing Problem***

**P2-42  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Nov. 1 | Cash |  | 16,000 |  |
|  | Common Stock |  |  | 16,000 |
|  |  |  |  |  |
| 2 | Rent Expense |  | 1,200 |  |
|  | Cash |  |  | 1,200 |
|  |  |  |  |  |
| 3 | Canoes |  | 4,800 |  |
|  | Accounts Payable |  |  | 4,800 |
|  |  |  |  |  |
| 4 | Office Supplies |  | 750 |  |
|  | Accounts Payable |  |  | 750 |
|  |  |  |  |  |
| 7 | Cash |  | 1,400 |  |
|  | Canoe Rental Revenue |  |  | 1,400 |
|  |  |  |  |  |
| 13 | Wages Expense |  | 1,500 |  |
|  | Cash |  |  | 1,500 |
|  |  |  |  |  |
| 15 | Dividends |  | 50 |  |
|  | Cash |  |  | 50 |
|  |  |  |  |  |
| 16 | Utilities Expense |  | 150 |  |
|  | Utilities Payable |  |  | 150 |
|  |  |  |  |  |
| 20 | Telephone Expense |  | 175 |  |
|  | Telephone Payable |  |  | 175 |
|  |  |  |  |  |
| 22 | Accounts Receivable |  | 3,000 |  |
|  | Canoe Rental Revenue |  |  | 3,000 |
|  |  |  |  |  |
| 26 | Accounts Payable |  | 1,000 |  |
|  | Cash |  |  | 1,000 |
|  |  |  |  |  |
| 28 | Cash |  | 750 |  |
|  | Accounts Receivable |  |  | 750 |
|  |  |  |  |  |
| 30 | Dividends |  | 100 |  |
|  | Cash |  |  | 100 |
|  |  |  |  |  |

**P2-42, cont.  
Requirement 1, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dec. 1 | Land |  | 85,000 |  |
|  | Building |  | 35,000 |  |
|  | Common Stock |  |  | 120,000 |
|  |  |  |  |  |
| 1 | Prepaid Rent |  | 3,000 |  |
|  | Cash |  |  | 3,000 |
|  |  |  |  |  |
| 2 | Canoes |  | 7,200 |  |
|  | Notes Payable |  |  | 7,200 |
|  |  |  |  |  |
| 4 | Office Supplies |  | 500 |  |
|  | Accounts Payable |  |  | 500 |
|  |  |  |  |  |
| 9 | Cash |  | 4,500 |  |
|  | Canoe Rental Revenue |  |  | 4,500 |
|  |  |  |  |  |
| 15 | Accounts Receivable |  | 3,500 |  |
|  | Canoe Rental Revenue |  |  | 3,500 |
|  |  |  |  |  |
| 16 | Cash |  | 750 |  |
|  | Unearned Revenue |  |  | 750 |
|  |  |  |  |  |
| 18 | Utilities Payable |  | 150 |  |
|  | Telephone Payable |  | 175 |  |
|  | Cash |  |  | 325 |
|  |  |  |  |  |
| 19 | Accounts Payable |  | 2,000 |  |
|  | Cash |  |  | 2,000 |
|  |  |  |  |  |
| 20 | Telephone Expense |  | 325 |  |
|  | Utilities Expense |  | 295 |  |
|  | Telephone Payable |  |  | 325 |
|  | Utilities Payable |  |  | 295 |
|  |  |  |  |  |
| 31 | Wages Expense |  | 1,800 |  |
|  | Cash |  |  | 1,800 |
|  |  |  |  |  |
| 31 | Dividends |  | 300 |  |
|  | Cash |  |  | 300 |
|  |  |  |  |  |

**P2-42, cont.  
Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Nov. 1 16,000 | 1,200 Nov. 2 |  | Nov. 26 1,000 | 4,800 Nov. 3 |
| Nov. 7 1,400 | 1,500 Nov. 13 |  | Dec. 19 2,000 | 750 Nov. 4 |
| Nov. 28 750 | 50 Nov. 15 |  |  | 500 Dec. 4 |
| Dec. 9 4,500 | 1,000 Nov. 26 |  |  | 3,050 Balance |
| Dec. 16 750 | 100 Nov. 30 |  |  |  |
|  | 3,000 Dec. 1 |  |  |  |
|  | 325 Dec. 18 |  |  |  |
|  | 2,000 Dec. 19 |  |  |  |
|  | 1,800 Dec. 31 |  |  |  |
|  | 300 Dec. 31 |  |  |  |
| Balance 12,125 |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Utilities Payable | |
| Nov. 22 3,000 | 750 Nov. 28 |  | Dec. 18 150 | 150 Nov. 16 |
| Dec. 15 3,500 |  |  |  | 295 Dec. 20 |
| Balance 5,750 |  |  |  | 295 Balance |
|  |  |  |  |  |
| Office Supplies | |  | Telephone Payable | |
| Nov. 4 750 |  |  | Dec. 18 175 | 175 Nov. 20 |
| Dec. 4 500 |  |  |  | 325 Dec. 20 |
| Balance 1,250 |  |  |  | 325 Balance |
|  |  |  |  |  |
| Prepaid Rent | |  | Unearned Revenue | |
| Dec. 1 3,000 |  |  |  | 750 Dec. 16 |
| Balance 3,000 |  |  |  | 750 Balance |
|  |  |  |  |  |
| Land | |  | Notes Payable | |
| Dec. 1 85,000 |  |  |  | 7,200 Dec. 2 |
| Balance 85,000 |  |  |  | 7,200 Balance |
|  |  |  |  |  |
| Building | |  | Common Stock | |
| Dec. 1 35,000 |  |  |  | 16,000 Nov. 1 |
| Balance 35,000 |  |  |  | 120,000 Dec. 1 |
|  |  |  |  | 136,000 Balance |
|  |  |  |  |  |
| Canoes | |  | Dividends | |
| Nov. 3 4,800 |  |  | Nov. 15 50 |  |
| Dec. 2 7,200 |  |  | Nov. 30 100 |  |
| Balance 12,000 |  |  | Dec. 31 300 |  |
|  |  |  | Balance 450 |  |

**P2-42, cont.  
Requirements 2 and 3, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | |  | Canoe Rental Revenue | |
|  |  |  |  | 1,400 Nov. 7 |
|  |  |  |  | 3,000 Nov. 22 |
|  |  |  |  | 4,500 Dec. 9 |
|  |  |  |  | 3,500 Dec. 15 |
|  |  |  |  | 12,400 Balance |
|  |  |  |  |  |
|  | |  | Rent Expense | |
|  |  |  | Nov. 2 1,200 |  |
|  |  |  | Balance 1,200 |  |
|  |  |  |  |  |
|  | |  | Wages Expense | |
|  |  |  | Nov. 13 1,500 |  |
|  |  |  | Dec. 31 1,800 |  |
|  |  |  | Balance 3,300 |  |
|  |  |  |  |  |
|  | |  | Utilities Expense | |
|  |  |  | Nov. 16 150 |  |
|  |  |  | Dec. 20 295 |  |
|  |  |  | Balance 445 |  |
|  |  |  |  |  |
|  | |  | Telephone Expense | |
|  |  |  | Nov. 20 175 |  |
|  |  |  | Dec. 20 325 |  |
|  |  |  | Balance 500 |  |
|  |  |  |  |  |
|  | |  |  | |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | |  |  | |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**P2-42, cont.  
Requirement 4**

|  |  |  |
| --- | --- | --- |
| CANYON CANOE COMPANY | | |
| Trial Balance | | |
| December 31, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 12,125 |  |
| Accounts Receivable | 5,750 |  |
| Office Supplies | 1,250 |  |
| Prepaid Rent | 3,000 |  |
| Land | 85,000 |  |
| Building | 35,000 |  |
| Canoes | 12,000 |  |
| Accounts Payable |  | $ 3,050 |
| Utilities Payable |  | 295 |
| Telephone Payable |  | 325 |
| Unearned Revenue |  | 750 |
| Notes Payable |  | 7,200 |
| Common Stock |  | 136,000 |
| Dividends | 450 |  |
| Canoe Rental Revenue |  | 12,400 |
| Rent Expense | 1,200 |  |
| Wages Expense | 3,300 |  |
| Utilities Expense | 445 |  |
| Telephone Expense | 500 |  |
| Total | **$ 160,020** | **$ 160,020** |
|  |  |  |

**Requirement 5**

|  |  |  |
| --- | --- | --- |
| CANYON CANOE COMPANY | | |
| Income Statement | | |
| Two Months Ended December 31, 2018 | | |
|  |  |  |
| Revenues: |  |  |
| Canoe Rental Revenue |  | $ 12,400 |
| Expenses: |  |  |
| Wages Expense | $ 3,300 |  |
| Rent Expense | 1,200 |  |
| Telephone Expense | 500 |  |
| Utilities Expense | 445 |  |
| Total Expenses |  | 5,445 |
| Net Income |  | $ 6,955 |
|  |  |  |

**P2-42, cont.  
Requirement 6**

|  |  |
| --- | --- |
| CANYON CANOE COMPANY | |
| Statement of Retained Earnings | |
| Two Months Ended December 31, 2018 | |
| Retained Earnings, November 1, 2018 | $ 0 |
| Net income for the month | 6,955 |
|  | 6,955 |
| Dividends | (450) |
| Retained Earnings, December 31, 2018 | $ 6,505 |
|  |  |

**Requirement 7**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| CANYON CANOE COMPANY | | | | |
| Balance Sheet | | | | |
| December 31, 2018 | | | | |
|  | |  |  | |
| Assets | |  | Liabilities | |
| Cash | $ 12,125 |  | Accounts Payable | $ 3,050 |
| Accounts Receivable | 5,750 |  | Utilities Payable | 295 |
| Office Supplies | 1,250 |  | Telephone Payable | 325 |
| Prepaid Rent | 3,000 |  | Unearned Revenue | 750 |
| Land | 85,000 |  | Notes Payable | 7,200 |
| Building | 35,000 |  | Total Liabilities | 11,620 |
| Canoes | 12,000 |  |  | |
|  |  |  | Stockholders’ Equity | |
|  |  |  | Common Stock | 136,000 |
|  |  |  | Retained Earnings | 6,505 |
|  |  |  | Total Stockholders’ Equity | 142,505 |
| Total Assets | $ 154,125 |  | Total Liabilities and Stockholders’ Equity | $ 154,125 |
|  |  |  |  |  |

**Requirement 8**

Debt ratio = Total liabilities / Total assets = $11,620 / $154,125 = 0.075\* = 7.5%

\* rounded

***Practice Set***

**P2-43  
Requirement 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Posting Ref.** | **Debit** | **Credit** |
| Nov. 1 | Cash |  | 15,000 |  |
|  | Truck |  | 3,000 |  |
|  | Common Stock |  |  | 18,000 |
|  |  |  |  |  |
| 2 | Prepaid Rent |  | 4,000 |  |
|  | Cash |  |  | 4,000 |
|  |  |  |  |  |
| 3 | Prepaid Insurance |  | 4,800 |  |
|  | Cash |  |  | 4,800 |
|  |  |  |  |  |
| 4 | Cleaning Supplies |  | 320 |  |
|  | Accounts Payable |  |  | 320 |
|  |  |  |  |  |
| 5 | Equipment |  | 1,500 |  |
|  | Accounts Payable |  |  | 1,500 |
|  |  |  |  |  |
| 7 | Equipment |  | 3,900 |  |
|  | Cash |  |  | 3,900 |
|  |  |  |  |  |
| 9 | Accounts Receivable |  | 4,700 |  |
|  | Service Revenue |  |  | 4,700 |
|  |  |  |  |  |
| 10 | Cash |  | 200 |  |
|  | Accounts Receivable |  |  | 200 |
|  |  |  |  |  |
| 15 | Salaries Expense |  | 400 |  |
|  | Cash |  |  | 400 |
|  |  |  |  |  |
| 16 | Cash |  | 15,000 |  |
|  | Unearned Revenue |  |  | 15,000 |
|  |  |  |  |  |
| 17 | Cash |  | 400 |  |
|  | Service Revenue |  |  | 400 |
|  |  |  |  |  |
| 18 | Utilities Expense |  | 175 |  |
|  | Accounts Payable |  |  | 175 |
|  |  |  |  |  |
| 20 | Cash |  | 36,000 |  |
|  | Notes Payable |  |  | 36,000 |

**P2-43, cont.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Nov. 21 | Cash |  | 500 |  |
|  | Accounts Receivable |  |  | 500 |
|  |  |  |  |  |
| 25 | Accounts Payable |  | 750 |  |
|  | Cash |  |  | 750 |
|  |  |  |  |  |
| 29 | Advertising Expense |  | 200 |  |
|  | Cash |  |  | 200 |
|  |  |  |  |  |
| 30 | Dividends |  | 1,400 |  |
|  | Cash |  |  | 1,400 |
|  |  |  |  |  |

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash | |  | Accounts Payable | |
| Nov. 1 15,000 | 4,000 Nov. 2 |  | Nov. 25 750 | 320 Nov. 4 |
| Nov. 10 200 | 4,800 Nov. 3 |  |  | 1,500 Nov. 5 |
| Nov. 16 15,000 | 3,900 Nov. 7 |  |  | 175 Nov. 18 |
| Nov. 17 400 | 400 Nov. 15 |  |  | 1,245 Balance |
| Nov. 20 36,000 | 750 Nov. 25 |  |  |  |
| Nov. 21 500 | 200 Nov. 29 |  |  |  |
|  | 1,400 Nov. 30 |  |  |  |
| Balance 51,650 |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Accounts Receivable | |  | Unearned Revenue | |
| Nov. 9 4,700 | 200 Nov. 10 |  |  | 15,000 Nov. 16 |
|  | 500 Nov. 21 |  |  | 15,000 Balance |
| Balance 4,000 |  |  |  |  |
|  |  |  |  |  |
| Cleaning Supplies | |  | Notes Payable | |
| Nov. 4 320 |  |  |  | 36,000 Nov. 20 |
| Balance 320 |  |  |  | 36,000 Balance |
|  |  |  |  |  |
| Prepaid Rent | |  | Common Stock | |
| Nov. 2 4,000 |  |  |  | 18,000 Nov. 1 |
| Balance 4,000 |  |  |  | 18,000 Balance |
|  |  |  |  |  |
| Prepaid Insurance | |  | Dividends | |
| Nov. 3 4,800 |  |  | Nov. 30 1,400 |  |
| Balance 4,800 |  |  | Balance 1,400 |  |
|  |  |  |  |  |
|  |  |  |  |  |

**P2-43, cont.**

**Requirements 2 and 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Equipment | |  | Service Revenue | |
| Nov. 5 1,500 |  |  |  | 4,700 Nov. 9 |
| Nov. 7 3,900 |  |  |  | 400 Nov. 17 |
| Balance 5,400 |  |  |  | 5,100 Balance |
|  |  |  |  |  |
| Truck | |  | Salaries Expense | |
| Nov. 1 3,000 |  |  | Nov. 15 400 |  |
| Balance 3,000 |  |  | Balance 400 |  |
|  |  |  |  |  |
|  |  |  | Advertising Expense | |
|  |  |  | Nov. 29 200 |  |
|  |  |  | Balance 200 |  |
|  |  |  |  |  |
|  |  |  | Utilities Expense | |
|  |  |  | Nov. 18 175 |  |
|  |  |  | Balance 175 |  |

**P2-43, cont.**

**Requirement 4**

|  |  |  |
| --- | --- | --- |
| CRYSTAL CLEAR CLEANING | | |
| Trial Balance | | |
| November 30, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 51,650 |  |
| Accounts Receivable | 4,000 |  |
| Cleaning Supplies | 320 |  |
| Prepaid Rent | 4,000 |  |
| Prepaid Insurance | 4,800 |  |
| Equipment | 5,400 |  |
| Truck | 3,000 |  |
| Accounts Payable |  | $ 1,245 |
| Unearned Revenue |  | 15,000 |
| Notes Payable |  | 36,000 |
| Common Stock |  | 18,000 |
| Dividends | 1,400 |  |
| Service Revenue |  | 5,100 |
| Salaries Expense | 400 |  |
| Advertising Expense | 200 |  |
| Utilities Expense | 175 |  |
| Total | **$ 75,345** | **$ 75,345** |
|  |  |  |

***Critical Thinking***

**Tying It All Together Case 2-1**

**Requirement 1**

Fry’s Electronics would record the following journal entry:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
|  | Cash | 10,500 |  |
|  | Service Revenue |  | 10,500 |
|  |  |  |  |

The transaction would increase assets (Cash) and equity (Retained Earnings) on the balance sheet and increase Service Revenue on the income statement.

**Requirement 2**

Fry’s Electronics would record the following journal entry:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Accounts and Explanation** | **Debit** | **Credit** |
|  | Cash | 24,000 |  |
|  | Unearned Revenue |  | 24,000 |
|  |  |  |  |

The transaction would increase assets (Cash) and increase liabilities (Unearned Revenue) on the balance sheet.

**Requirement 3**

In requirement 1, Fry’s Electronics recorded revenue because the company had received the cash from the customer and provided the service. In requirement 2, Fry’s Electronics recorded a liability, Unearned Revenue, because even though cash was received, the service has not been provided. The revenue related to requirement 2 will not be recorded until the service has been provided.

**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 | |  | Common Stock | |
| 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, 2018 | | |
|  | | |
| **Account Title** | **Balance** | |
|  | Debit | Credit |
| Cash | $ 8,500 |  |
| Accounts Receivable | 7,600 |  |
| Office Supplies | 300 |  |
| Accounts Payable |  | $ 700 |
| Common Stock |  | 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.

**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.

**Ethical Issue 2-1, cont.**

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

= $27,305 (in millions) / $40,262 (in millions)

= 0.678\* = 67.8%

\* rounded

**Requirement 2**

Target’s debt ratio is significantly higher than Kohl’s (59.6%).

**Communication Activity 2-1**

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