

## Chapter 2

# Recording Business Transactions

### *Review Questions*

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1. The three categories of the accounting equation are assets, liabilities, and equity. Assets include Cash, Accounts Receivable, Notes Receivable, Prepaid Expenses, Land, Building, Equipment, Furniture, and Fixtures. Liabilities include Accounts Payable, Notes Payable, Accrued Liability, and Unearned Revenue. Equity includes Owner, Capital; Owner, Withdrawals; Revenue; and Expenses.
2. Companies need a way to organize their accounts so they use a chart of accounts. Accounts starting with 1 are usually Assets, 2 – Liabilities, 3 – Equity, 4 – Revenues, and 5 – Expenses. The second and third digits in account 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, owner's withdrawals, and expenses. Debits are decreases for liabilities, owner's capital, and revenue.
7. Credits are increases for liabilities, owner's capital, and revenue. Credits are decreases for assets, owner's withdrawals, and expenses.
8. Assets, owner's withdrawals, and expenses have a normal debit balance. Liabilities, owner's capital, and revenue have a normal credit balance.
9. Source documents provide the evidence and data for accounting transactions. Examples of source documents a business would have are: bank deposit slips, purchase invoices, bank checks, and sales invoices
10. Transactions are first recorded in a journal, which is the record of transactions in date order.

- 11.** Step 1: Identify the accounts and the account type. You need this information before you can complete the next step. Step 2: Decide if each account increases or decreases, 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. New, Capital (E)      | g. Rent Expense (E)     |
| c. Prepaid Insurance (A) | h. Furniture (A)        |
| d. Notes Payable (L)     | i. New, Withdrawals (E) |
| e. Rent Revenue (E)      | j. Unearned Revenue (L) |

### S2-2

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

### S2-3

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

### S2-4

| Date   | Accounts and Explanation   | Debit  | Credit |
|--------|--|--------|--------|
| Jan. 1 | Cash<br>Davis, Capital<br><i>Owner contribution.</i>   | 35,000 | 35,000 |
| 2      | Medical Supplies<br>Accounts Payable<br><i>Purchased medical supplies on account.</i>        | 13,000 | 13,000 |
| 4      | Cash<br>Service Revenue<br><i>Performed services for patients.</i>                           | 1,900  | 1,900  |
| 12     | Rent Expense<br>Cash<br><i>Paid rent with cash.</i>  | 2,600  | 2,600  |
| 15     | Accounts Receivable<br>Service Revenue<br><i>Performed services for patients on account.</i> | 10,000 | 10,000 |

**S2-5**

| <b>Date</b> | <b>Accounts and Explanation</b>   | <b>Debit</b> | <b>Credit</b> |
|-------------|---|--------------|---------------|
| Jan. 22     | Accounts Receivable<br>Service Revenue<br><i>Performed services for customers on account.</i> | 9,000        | 9,000         |
| 30          | Cash<br>Accounts Receivable<br><i>Received cash on account from customers.</i>                | 7,000        | 7,000         |
| 31          | Utilities Expense<br>Utilities Payable<br><i>Received a utility bill due in February.</i>     | 210          | 210           |
| 31          | Salaries Expense<br>Cash<br><i>Paid monthly salary to salesman.</i>                           | 2,400        | 2,400         |
| 31          | Cash<br>Unearned Revenue<br><i>Received cash for 3 months consulting services in advance.</i> | 2,475        | 2,475         |
| 31          | Henry, Withdrawals<br>Cash<br><i>Owner withdrawal.</i>  | 900          | 900           |

**S2-6**

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

**S2-7**  
**Requirement 1**

| Date    | Accounts and Explanation  | Debit | Credit |
|---------|---|-------|--------|
| Mar. 15 | Office Supplies<br>Accounts Payable<br><i>Purchased office supplies on account.</i> | 2,600 | 2,600  |
| 28      | Accounts Payable<br>Cash<br><i>Paid cash on account.</i>                            | 1,300 | 1,300  |

**Requirement 2**

| Cash |        |       |         | Accounts Payable |       |       |         |
|------|--------|-------|---------|------------------|-------|-------|---------|
| Bal. | 23,000 | 1,300 | Mar. 28 | Mar. 28          | 1,300 | 2,600 | Mar. 15 |
| Bal. | 21,700 |       |         |                  |       | 1,300 | Bal.    |

  

| Office Supplies |       |  |
|-----------------|-------|--|
| Mar. 15         | 2,600 |  |
| Bal.            | 2,600 |  |

**S2-8**

| HENDERSON FLOOR COVERINGS<br>Trial Balance<br>December 31, 2016 |                  |                  |
|---|------------------|------------------|
| Account Title   | Balance          |                  |
|   | Debit            | Credit           |
| Cash  | \$ 12,000        |                  |
| Accounts Receivable   | 4,000            |                  |
| Equipment   | 45,000           |                  |
| Accounts Payable  |                  | \$ 1,500         |
| Salaries Payable  |                  | 15,000           |
| Interest Payable  |                  | 7,500            |
| Henderson, Capital  |                  | 25,000           |
| Henderson, Withdrawals  | 12,900           |                  |
| Service Revenue   |                  | 38,000           |
| Rent Expense  | 10,000           |                  |
| Salaries Expense  | 1,800            |                  |
| Utilities Expense   | 1,300            |                  |
| Total   | <b>\$ 87,000</b> | <b>\$ 87,000</b> |
|   |                  |                  |

**S2-9**

Debt ratio = Total liabilities / Total assets = \$60,000 / \$240,000 = 0.25 = 25%

***Exercises***

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**E2-10**

1. g
2. a
3. e
4. d
5. j
6. i
7. f
8. b
9. h
10. c

**E2-11**

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

**E2-12**

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

## E2-13

| (a) Assets |            | = | Liabilities     |           | + | (b) Equity        |           |   |                           |           |   |           |           |   |           |           |
|------------|------------|---|-----------------|-----------|---|-------------------|-----------|---|---------------------------|-----------|---|-----------|-----------|---|-----------|-----------|
| Assets     |            | = | (c) Liabilities |           | + | Owner,<br>Capital |           | - | (d) Owner,<br>Withdrawals |           | + | Revenues  |           | - | Expenses  |           |
| (e) Incr.  | Decr.      |   | Decr.           | (f) Incr. |   | (g) Decr.         | (h) Incr. |   | (i) Incr.                 | (j) Decr. |   | (k) Decr. | (l) Incr. |   | Incr.     | (m) Decr. |
| Debit      | (n) Credit |   | (o) Debit       | Credit    |   | (p) Debit         | Credit    |   | (q) Debit                 | Credit    |   | Debit     | Credit    |   | (r) Debit | Credit    |

- (a) Assets
- (b) Equity
- (c) Liabilities
- (d) Owner, Withdrawal
- (e) Incr.
- (f) Incr.
- (g) Decr.
- (h) Incr.
- (i) Incr.
- (j) Decr.
- (k) Decr.
- (l) Incr.
- (m) Decr.
- (n) Credit
- (o) Debit
- (p) Debit
- (q) Debit
- (r) Debit



**E2-14**

- a. Bank deposit slip
- b. Purchase invoice
- c. Sales invoice

**E2-15**

- a. Purchased equipment with cash.
- b. Paid cash withdrawals to owner.
- c. Paid wages owed to employees, previously recorded.
- d. Received equipment for the business in exchange for capital.
- e. Received cash from customer for work to be completed in the future.
- f. Paid for advertising with cash.
- g. Performed services that were paid by the customer.

**E2-16**

| <b>Date</b> | <b>Accounts and Explanation</b>  | <b>Debit</b> | <b>Credit</b> |
|-------------|--|--------------|---------------|
| Jul. 2      | Cash<br>London, Capital<br><i>Owner contribution.</i>                                      | 12,000       | 12,000        |
| 4           | Utilities Expense<br>Cash<br><i>Paid utility expense.</i>                                  | 410          | 410           |
| 5           | Equipment<br>Accounts Payable<br><i>Purchased equipment on account.</i>                    | 2,200        | 2,200         |
| 10          | Accounts Receivable<br>Service Revenue<br><i>Performed services for client on account.</i> | 2,800        | 2,800         |
| 12          | Cash<br>Notes Payable<br><i>Borrowed cash by signing note.</i>                             | 7,500        | 7,500         |
| 19          | London, Withdrawals<br>Cash<br><i>Owner withdrawal.</i>                                    | 750          | 750           |

**E2-16, cont.**

|    |  |       |       |
|----|--|-------|-------|
| 21 | Office Supplies<br>Cash<br><i>Purchased office supplies with cash.</i> | 860   | 860   |
| 27 | Accounts Payable<br>Cash<br><i>Paid cash on account.</i>               | 2,200 | 2,200 |

**E2-17**
**Requirements 1, 2, and 3**

| Cash    |        |       |         |
|---------|--------|-------|---------|
| Jul. 2  | 12,000 | 410   | Jul. 4  |
| Jul. 12 | 7,500  | 750   | Jul. 19 |
|         |        | 860   | Jul. 21 |
|         |        | 2,200 | Jul. 27 |
| Balance | 15,280 |       |         |

| Accounts Receivable |       |  |
|---------------------|-------|--|
| Jul. 10             | 2,800 |  |
| Balance             | 2,800 |  |

| Office Supplies |     |  |
|-----------------|-----|--|
| Jul. 21         | 860 |  |
| Balance         | 860 |  |

| Equipment |       |  |
|-----------|-------|--|
| Jul. 5    | 2,200 |  |
| Balance   | 2,200 |  |

| Accounts Payable |       |       |         |
|------------------|-------|-------|---------|
| Jul. 27          | 2,200 | 2,200 | Jul. 5  |
|                  |       | 0     | Balance |

| Notes Payable |       |         |
|---------------|-------|---------|
|               | 7,500 | Jul. 12 |
|               | 7,500 | Balance |

| London, Capital |        |         |
|-----------------|--------|---------|
|                 | 12,000 | Jul. 2  |
|                 | 12,000 | Balance |

| London, Withdrawals |     |  |
|---------------------|-----|--|
| Jul. 19             | 750 |  |
| Balance             | 750 |  |

| Service Revenue |       |         |
|-----------------|-------|---------|
|                 | 2,800 | Jul. 10 |
|                 | 2,800 | Balance |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Jul. 4            | 410 |  |
| Balance           | 410 |  |

## E2-18

| <b>Date</b> | <b>Accounts and Explanation</b>  | <b>Post.<br/>Ref.</b> | <b>Debit</b>    | <b>Credit</b> |
|-------------|--|-----------------------|-----------------|---------------|
| May 1       | Cash<br>Wilson, Capital<br><i>Owner contribution.</i>  |                       | 85,000          | 85,000        |
| 2           | Office Supplies<br>Accounts Payable<br><i>Purchased office supplies on account.</i>                      |                       | 550             | 550           |
| 4           | Building<br>Land<br>Cash<br><i>Purchased building and land for cash.</i>                                 |                       | 48,000<br>9,000 | 57,000        |
| 6           | Cash<br>Service Revenue<br><i>Performed services for customers for cash.</i>                             |                       | 3,600           | 3,600         |
| 9           | Accounts Payable<br>Cash<br><i>Paid cash on account.</i>   |                       | 450             | 450           |
| 17          | Accounts Receivable<br>Service Revenue<br><i>Performed services for customers on account.</i>            |                       | 3,400           | 3,400         |
| 19          | Rent Expense<br>Cash<br><i>Paid rent for the month.</i>  |                       | 1,400           | 1,400         |
| 20          | Cash<br>Unearned Revenue<br><i>Received cash from customers for services to be performed next month.</i> |                       | 1,300           | 1,300         |
| 21          | Prepaid Advertising<br>Cash<br><i>Paid for next month's advertising.</i>                                 |                       | 300             | 300           |

**E2-18, cont.**

|    |   |  |       |       |
|----|---|--|-------|-------|
| 23 | Cash<br>Accounts Receivable<br><i>Received cash on account from customer.</i> |  | 2,600 | 2,600 |
| 31 | Salaries Expense<br>Cash<br><i>Paid salaries.</i>                             |  | 1,200 | 1,200 |

**E2-19****Requirement 2**

| <b>Date</b> | <b>Accounts and Explanation</b>   | <b>Post.<br/>Ref.</b> | <b>Debit</b>    | <b>Credit</b> |
|-------------|---|-----------------------|-----------------|---------------|
| May 1       | Cash<br>Wilson, Capital<br><i>Owner contribution.</i>   | 110<br>310            | 85,000          | 85,000        |
| 2           | Office Supplies<br>Accounts Payable<br><i>Purchased office supplies on account.</i>           | 130<br>210            | 550             | 550           |
| 4           | Building<br>Land<br>Cash<br><i>Purchased building and land for cash.</i>                      | 150<br>160<br>110     | 48,000<br>9,000 | 57,000        |
| 6           | Cash<br>Service Revenue<br><i>Performed services for customers for cash.</i>                  | 110<br>410            | 3,600           | 3,600         |
| 9           | Accounts Payable<br>Cash<br><i>Paid cash on account.</i>                                      | 210<br>110            | 450             | 450           |
| 17          | Accounts Receivable<br>Service Revenue<br><i>Performed services for customers on account.</i> | 120<br>410            | 3,400           | 3,400         |

**E2-19, cont.**

|    |  |     |       |       |
|----|--|-----|-------|-------|
| 19 | Rent Expense   | 510 | 1,400 |       |
|    | Cash   | 110 |       | 1,400 |
|    | <i>Paid rent for the month.</i>  |     |       |       |
| 20 | Cash   | 110 | 1,300 |       |
|    | Unearned Revenue   | 220 |       | 1,300 |
|    | <i>Received cash from customers for services to be performed next month.</i> |     |       |       |
| 21 | Prepaid Advertising  | 140 | 300   |       |
|    | Cash   | 110 |       | 300   |
|    | <i>Paid for next month's advertising.</i>                                    |     |       |       |
| 23 | Cash   | 110 | 2,600 |       |
|    | Accounts Receivable  | 120 |       | 2,600 |
|    | <i>Received cash on account from customer.</i>                               |     |       |       |
| 31 | Salaries Expense   | 520 | 1,200 |       |
|    | Cash   | 110 |       | 1,200 |
|    | <i>Paid salaries.</i>  |     |       |       |

**Requirements 1 and 2****CASH**

Account No. 110

| Date   | Item | Post Ref. | Debit  | Credit | Balance |        |
|--------|------|-----------|--------|--------|---------|--------|
|        |      |           |        |        | Debit   | Credit |
| May 1  |      | J10       | 85,000 |        | 85,000  |        |
| May 4  |      | J10       |        | 57,000 | 28,000  |        |
| May 6  |      | J10       | 3,600  |        | 31,600  |        |
| May 9  |      | J10       |        | 450    | 31,150  |        |
| May 19 |      | J10       |        | 1,400  | 29,750  |        |
| May 20 |      | J10       | 1,300  |        | 31,050  |        |
| May 21 |      | J10       |        | 300    | 30,750  |        |
| May 23 |      | J10       | 2,600  |        | 33,350  |        |
| May 31 |      | J10       |        | 1,200  | 32,150  |        |

**ACCOUNTS RECEIVABLE**

Account No. 120

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| May 17 |      | J10       | 3,400 |        | 3,400   |        |
| May 23 |      | J10       |       | 2,600  | 800     |        |

**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       | 300   |        | 300     |        |

**BUILDING**

Account No. 150

| Date  | Item | Post Ref. | Debit  | Credit | Balance |        |
|-------|------|-----------|--------|--------|---------|--------|
|       |      |           |        |        | Debit   | Credit |
| May 4 |      | J10       | 48,000 |        | 48,000  |        |

**LAND**

Account No. 160

| Date  | Item | Post Ref. | Debit | Credit | Balance |        |
|-------|------|-----------|-------|--------|---------|--------|
|       |      |           |       |        | Debit   | Credit |
| May 4 |      | J10       | 9,000 |        | 9,000   |        |

**ACCOUNTS PAYABLE**

Account No. 210

| Date  | Item | Post Ref. | Debit | Credit | Balance |        |
|-------|------|-----------|-------|--------|---------|--------|
|       |      |           |       |        | Debit   | Credit |
| May 2 |      | J10       |       | 550    |         | 550    |
| May 9 |      | J10       | 450   |        |         | 100    |

**UNEARNED REVENUE**

Account No. 220

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| May 20 |      | J10       |       | 1,300  |         | 1,300  |

**WILSON, CAPITAL**

Account No. 310

| Date  | Item | Post Ref. | Debit | Credit | Balance |        |
|-------|------|-----------|-------|--------|---------|--------|
|       |      |           |       |        | Debit   | Credit |
| May 1 |      | J10       |       | 85,000 |         | 85,000 |

**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       |       | 3,400  |         | 7,000  |

**RENT EXPENSE**

Account No. 510

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| May 19 |      | J10       | 1,400 |        | 1,400   |        |

**SALARIES EXPENSE**

Account No. 520

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| May 31 |      | J10       | 1,200 |        | 1,200   |        |

**E2-20**

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

**E2-21**

| <b>Date</b> | <b>Accounts and Explanation</b>   | <b>Posting<br/>Ref.</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|---|-------------------------|--------------|---------------|
| 1.          | Cash<br>Atkins, Capital<br><i>Owner contribution.</i>                               |                         | 56,000       | 56,000        |
| 2.          | Office Supplies<br>Accounts Payable<br><i>Purchased office supplies on account.</i> |                         | 200          | 200           |
| 3.          | Building<br>Cash<br><i>Purchased building for cash.</i>                             |                         | 37,000       | 37,000        |
| 4.          | Cash<br>Notes Payable<br><i>Borrowed money signing a note payable.</i>              |                         | 49,000       | 49,000        |
| 5.          | Equipment<br>Cash<br><i>Purchased equipment for cash.</i>                           |                         | 5,900        | 5,900         |



## E2-22

| AKER MOVING COMPANY<br>Trial Balance<br>August 31, 2016 |                   |                   |
|---|-------------------|-------------------|
| Account Title   | Balance           |                   |
|   | Debit             | Credit            |
| Cash  | \$ 5,000          |                   |
| Accounts Receivable                                     | 8,700             |                   |
| Office Supplies   | 300               |                   |
| Trucks  | 132,000           |                   |
| Building  | 48,000            |                   |
| Accounts Payable  |                   | \$ 4,200          |
| Notes Payable   |                   | 62,000            |
| Aker, Capital   |                   | 53,300            |
| Aker, Withdrawals                                       | 6,200             |                   |
| Service Revenue   |                   | 92,000            |
| Salaries Expense  | 7,000             |                   |
| Fuel Expense  | 3,000             |                   |
| Insurance Expense                                       | 600               |                   |
| Utilities Expense                                       | 500               |                   |
| Advertising Expense                                     | 200               |                   |
| Total   | <b>\$ 211,500</b> | <b>\$ 211,500</b> |
|   |                   |                   |

**E2-23**

| MORRIS FARM EQUIPMENT REPAIR |                  |                  |
|------------------------------|------------------|------------------|
| Trial Balance                |                  |                  |
| May 31, 2016                 |                  |                  |
| Account Title                | Balance          |                  |
|                              | Debit            | Credit           |
| Cash                         | \$ 12,680        |                  |
| Accounts Receivable          | 3,100            |                  |
| Equipment                    | 18,000           |                  |
| Building                     | 32,000           |                  |
| Land                         | 12,000           |                  |
| Salaries Payable             |                  | \$ 3,400         |
| Notes Payable                |                  | 27,600           |
| Morris, Capital              |                  | 47,000           |
| Morris, Withdrawals          | 1,200            |                  |
| Service Revenue              |                  | 7,200            |
| Salaries Expense             | 5,600            |                  |
| Property Tax Expense         | 300              |                  |
| Advertising Expense          | 320              |                  |
| Total                        | <b>\$ 85,200</b> | <b>\$ 85,200</b> |
|                              |                  |                  |

**E2-24****Requirement 2**

| Date   | Accounts and Explanation | Post Ref. | Debit  | Credit |
|--------|--------------------------|-----------|--------|--------|
| June 1 | Cash                     | 110       | 13,500 |        |
|        | Office Furniture         | 140       | 5,400  |        |
|        | Peel, Capital            | 310       |        | 18,900 |
| 5      | Rent Expense             | 520       | 1,300  |        |
|        | Cash                     | 110       |        | 1,300  |
| 9      | Office Supplies          | 130       | 800    |        |
|        | Accounts Payable         | 210       |        | 800    |
| 14     | Salaries Expense         | 510       | 1,700  |        |
|        | Cash                     | 110       |        | 1,700  |
| 18     | Utilities Expense        | 530       | 250    |        |
|        | Utilities Payable        | 220       |        | 250    |

**E2-24, cont.**

|    |                     |     |       |       |
|----|---------------------|-----|-------|-------|
| 21 | Accounts Payable    | 210 | 600   |       |
|    | Cash                | 110 |       | 600   |
| 25 | Accounts Receivable | 120 | 5,900 |       |
|    | Service Revenue     | 410 |       | 5,900 |
| 28 | Peel, Withdrawals   | 320 | 6,900 |       |
|    | Cash                | 110 |       | 6,900 |

**Requirements 1 & 2****CASH****Account No. 110**

| Date    | Item | Post Ref. | Debit  | Credit | Balance |        |
|---------|------|-----------|--------|--------|---------|--------|
|         |      |           |        |        | Debit   | Credit |
| June 1  |      | J10       | 13,500 |        | 13,500  |        |
| June 5  |      | J10       |        | 1,300  | 12,200  |        |
| June 14 |      | J10       |        | 1,700  | 10,500  |        |
| June 21 |      | J10       |        | 600    | 9,900   |        |
| June 28 |      | J10       |        | 6,900  | 3,000   |        |

**ACCOUNTS RECEIVABLE****Account No. 120**

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 25 |      | J10       | 5,900 |        | 5,900   |        |

**OFFICE SUPPLIES****Account No. 130**

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| June 9 |      | J10       | 800   |        | 800     |        |

**OFFICE FURNITURE****Account No. 140**

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| June 1 |      | J10       | 5,400 |        | 5,400   |        |

**E2-24, cont.****ACCOUNTS PAYABLE**

Account No. 210

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 9  |      | J10       |       | 800    |         | 800    |
| June 21 |      | J10       | 600   |        |         | 200    |

**UTILITIES PAYABLE**

Account No. 220

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 18 |      | J10       |       | 250    |         | 250    |

**PEEL, CAPITAL**

Account No. 310

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| June 1 |      | J10       |       | 18,900 |         | 18,900 |

**PEEL, WITHDRAWALS**

Account No. 320

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 28 |      | J10       | 6,900 |        | 6,900   |        |

**SERVICE REVENUE**

Account No. 410

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 25 |      | J10       |       | 5,900  |         | 5,900  |

**SALARIES EXPENSE**

Account No. 510

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| June 14 |      | J10       | 1,700 |        | 1,700   |        |

**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       | 250   |        | 250     |        |

**Requirement 3**

| TORI PEEL, CPA<br>Trial Balance<br>June 30, 2016 |                     |           |           |
|--|---------------------|-----------|-----------|
| Acct. No.  | Account Title       | Balance   |           |
|  |                     | Debit     | Credit    |
| 110  | Cash                | \$ 3,000  |           |
| 120  | Accounts Receivable | 5,900     |           |
| 130  | Office Supplies     | 800       |           |
| 140  | Office Furniture    | 5,400     |           |
| 210  | Accounts Payable    |           | \$ 200    |
| 220  | Utilities Payable   |           | 250       |
| 310  | Peel, Capital       |           | 18,900    |
| 320  | Peel, Withdrawals   | 6,900     |           |
| 410  | Service Revenue     |           | 5,900     |
| 510  | Salaries Expense    | 1,700     |           |
| 520  | Rent Expense        | 1,300     |           |
| 530  | Utilities Expense   | 250       |           |
|  | Total               | \$ 25,250 | \$ 25,250 |
|  |                     |           |           |

**E2-25****Requirements 1 and 2**

|           | <b>Debits equal Credits,<br/>Yes or No</b> | <b>Accounts</b>   | <b>Amount</b> | <b>High or Low</b> |
|-----------|--|-------------------|---------------|--------------------|
| <b>a.</b> | No   | Notes Receivable  | \$4,000       | Low                |
| <b>b.</b> | No   | Utilities Expense | 450           | High               |
| <b>c.</b> | Yes  | Furniture         | 300           | High               |
|           |  | Accounts Payable  | 300           | High               |
| <b>d.</b> | No   | Cash              | 990           | Low                |
| <b>e.</b> | Yes  | Office Supplies   | 90            | Low                |
|           |  | Accounts Payable  | 90            | Low                |

**E2-26**

| TOWN AND COUNTRY PAINTING SPECIALISTS<br>Trial Balance<br>November 30, 2016 |                  |                  |
|---|------------------|------------------|
| Account Title   | Balance          |                  |
|   | Debit            | Credit           |
| Cash  | \$ 12,900        |                  |
| Accounts Receivable   | 1,100            |                  |
| Office Supplies   | 300              |                  |
| Painting Equipment  | 13,000           |                  |
| Accounts Payable  |                  | \$ 3,100         |
| Unearned Revenue  |                  | 2,000            |
| Wilson, Capital   |                  | 15,000           |
| Wilson, Withdrawals   | 7,000            |                  |
| Service Revenue   |                  | 19,650           |
| Advertising Expense   | 450              |                  |
| Rent Expense  | 2,700            |                  |
| Salaries Expense  | 2,100            |                  |
| Utilities Expense   | 200              |                  |
| Total   | <b>\$ 39,750</b> | <b>\$ 39,750</b> |
|   |                  |                  |

**E2-27**

| CARLA MADOCK TUTORING SERVICE |                  |                  |
|-------------------------------|------------------|------------------|
| Trial Balance                 |                  |                  |
| May 31, 2016                  |                  |                  |
| Account Title                 | Balance          |                  |
|                               | Debit            | Credit           |
| Cash                          | \$ 3,500         |                  |
| Accounts Receivable           | 1,200            |                  |
| Office Supplies               | 700              |                  |
| Computer Equipment            | 15,800           |                  |
| Accounts Payable              |                  | \$ 12,000        |
| Utilities Payable             |                  | 800              |
| Madock, Capital               |                  | 12,500           |
| Madock, Withdrawals           | 10,200           |                  |
| Service Revenue               |                  | 9,600            |
| Salaries Expense              | 1,900            |                  |
| Rent Expense                  | 800              |                  |
| Utilities Expense             | 800              |                  |
| Total                         | <b>\$ 34,900</b> | <b>\$ 34,900</b> |
|                               |                  |                  |

Explanation:

- a. Increase Cash by \$600, decrease Accounts Receivable by \$600.
- b. Increase Accounts Payable by \$900 (\$1,000 – \$100).
- c. Increase Utilities Expense and Utilities Payable by \$300 each.
- d. Increase Madock, Capital by \$900.

**E2-28****Liabilities:**

|                   |                  |
|-------------------|------------------|
| Accounts Payable  | \$ 1,800         |
| Utilities Payable | 700              |
| Unearned Revenue  | 18,290           |
| Notes Payable     | <u>77,000</u>    |
| Total liabilities | <u>\$ 97,790</u> |

**Assets:**

|                     |                   |
|---------------------|-------------------|
| Cash                | \$ 37,000         |
| Accounts Receivable | 7,200             |
| Office Supplies     | 2,600             |
| Office Equipment    | 22,000            |
| Building            | 85,000            |
| Land                | <u>24,000</u>     |
| Total assets        | <u>\$ 177,800</u> |

Debt ratio = Total liabilities / Total assets = \$97,790 / \$177,800 = 0.55 = 55%



## ***Problems (Group A)***

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**P2-29A**

### **Requirement 1**

| <b>Date</b> | <b>Accounts and Explanation</b>                               | <b>Post Ref.</b> | <b>Debit</b>          | <b>Credit</b> |
|-------------|---|------------------|-----------------------|---------------|
| July 1      | Cash<br>Yarwood, Capital                                      |                  | 68,000                | 68,000        |
| 5           | Rent Expense<br>Cash  |                  | 550                   | 550           |
| 9           | Land<br>Cash  |                  | 17,000                | 17,000        |
| 10          | Office Supplies<br>Accounts Payable                           |                  | 1,800                 | 1,800         |
| 19          | Cash<br>Notes Payable   |                  | 24,000                | 24,000        |
| 22          | Accounts Payable<br>Cash                                      |                  | 1,700                 | 1,700         |
| 28          | Advertising Expense<br>Advertising Payable                    |                  | 290                   | 290           |
| 31          | Cash<br>Accounts Receivable<br>Service Revenue                |                  | 6,000<br>5,500        | 11,500        |
| 31          | Salaries Expense<br>Rent Expense<br>Utilities Expense<br>Cash |                  | 2,000<br>1,000<br>550 | 3,550         |
| 31          | Cash<br>Unearned Revenue                                      |                  | 1,260                 | 1,260         |
| 31          | Yarwood, Withdrawals<br>Cash                                  |                  | 7,400                 | 7,400         |

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

| Cash    |        |        |         |
|---------|--------|--------|---------|
| Jul. 1  | 68,000 | 550    | Jul. 5  |
| Jul. 19 | 24,000 | 17,000 | Jul. 9  |
| Jul. 31 | 6,000  | 1,700  | Jul. 22 |
| Jul. 31 | 1,260  | 3,550  | Jul. 31 |
|         |        | 7,400  | Jul. 31 |
| Bal.    | 69,060 |        |         |

| Accounts Receivable |       |  |
|---------------------|-------|--|
| Jul. 31             | 5,500 |  |
| Bal.                | 5,500 |  |

| Office Supplies |       |  |
|-----------------|-------|--|
| Jul. 10         | 1,800 |  |
| Bal.            | 1,800 |  |

| Land   |        |  |
|--------|--------|--|
| Jul. 9 | 17,000 |  |
| Bal.   | 17,000 |  |

| Accounts Payable |       |       |         |
|------------------|-------|-------|---------|
| Jul. 22          | 1,700 | 1,800 | Jul. 10 |
|                  |       | 100   | Bal.    |

| Advertising Payable |     |         |
|---------------------|-----|---------|
|                     | 290 | Jul. 28 |
|                     | 290 | Bal.    |

| Unearned Revenue |       |         |
|------------------|-------|---------|
|                  | 1,260 | Jul. 31 |
|                  | 1,260 | Bal.    |

| Notes Payable |        |         |
|---------------|--------|---------|
|               | 24,000 | Jul. 19 |
|               | 24,000 | Bal.    |

| Yarwood, Capital |        |        |
|------------------|--------|--------|
|                  | 68,000 | Jul. 1 |
|                  | 68,000 | Bal.   |

| Yarwood, Withdrawals |       |  |
|----------------------|-------|--|
| Jul. 31              | 7,400 |  |
| Bal.                 | 7,400 |  |

| Service Revenue |        |         |
|-----------------|--------|---------|
|                 | 11,500 | Jul. 31 |
|                 | 11,500 | Bal.    |

| Salaries Expense |       |  |
|------------------|-------|--|
| Jul. 31          | 2,000 |  |
| Bal.             | 2,000 |  |

| Rent Expense |       |  |
|--------------|-------|--|
| Jul. 5       | 550   |  |
| Jul. 31      | 1,000 |  |
| Bal.         | 1,550 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Jul. 31           | 550 |  |
| Bal.              | 550 |  |

| Advertising Expense |     |  |
|---------------------|-----|--|
| Jul. 28             | 290 |  |
| Bal.                | 290 |  |

**P2-**

**29A,**

cont.

**Requirement 3**

| VINCENT YARWOOD, MD<br>Trial Balance<br>July 31, 2017 |                   |                   |
|---|-------------------|-------------------|
| Account Title   | Balance           |                   |
|   | Debit             | Credit            |
| Cash  | \$ 69,060         |                   |
| Accounts Receivable                                   | 5,500             |                   |
| Office Supplies                                       | 1,800             |                   |
| Land  | 17,000            |                   |
| Accounts Payable                                      |                   | \$ 100            |
| Advertising Payable                                   |                   | 290               |
| Unearned Revenue                                      |                   | 1,260             |
| Notes Payable   |                   | 24,000            |
| Yarwood, Capital                                      |                   | 68,000            |
| Yarwood, Withdrawals                                  | 7,400             |                   |
| Service Revenue                                       |                   | 11,500            |
| Salaries Expense                                      | 2,000             |                   |
| Rent Expense  | 1,550             |                   |
| Utilities Expense                                     | 550               |                   |
| Advertising Expense                                   | 290               |                   |
| Total   | <b>\$ 105,150</b> | <b>\$ 105,150</b> |
|   |                   |                   |

**P2-30A**  
**Requirement 1**

| <b>Date</b> | <b>Accounts and Explanation</b>                  | <b>Posting Ref.</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|--|---------------------|--------------|---------------|
| Sep. 1      | Cash<br>Stann, Capital                           |                     | 47,000       | 47,000        |
| 4           | Office Supplies<br>Furniture<br>Accounts Payable |                     | 700<br>1,600 | 2,300         |
| 6           | Cash<br>Service Revenue                          |                     | 1,400        | 1,400         |
| 7           | Land<br>Cash                                     |                     | 20,000       | 20,000        |
| 10          | Accounts Receivable<br>Service Revenue           |                     | 900          | 900           |
| 14          | Accounts Payable<br>Cash                         |                     | 1,600        | 1,600         |
| 15          | Salaries Expense<br>Cash                         |                     | 1,480        | 1,480         |
| 17          | Cash<br>Accounts Receivable                      |                     | 700          | 700           |
| 20          | Accounts Receivable<br>Service Revenue           |                     | 700          | 700           |
| 25          | Cash<br>Unearned Revenue                         |                     | 2,200        | 2,200         |
| 28          | Cash<br>Service Revenue                          |                     | 2,600        | 2,600         |
| 29          | Prepaid Insurance<br>Cash                        |                     | 2,400        | 2,400         |
| 30          | Salaries Expense<br>Cash                         |                     | 1,480        | 1,480         |
| 30          | Rent Expense<br>Cash                             |                     | 500          | 500           |

**P2-30A, cont.**

|    |                    |  |       |       |
|----|--------------------|--|-------|-------|
| 30 | Utilities Expense  |  | 400   |       |
|    | Utilities Payable  |  |       | 400   |
| 30 | Stann, Withdrawals |  | 3,000 |       |
|    | Cash               |  |       | 3,000 |

**Requirements 2 and 3**

| Cash    |        |        |         |
|---------|--------|--------|---------|
| Sep. 1  | 47,000 | 20,000 | Sep. 7  |
| Sep. 6  | 1,400  | 1,600  | Sep. 14 |
| Sep. 17 | 700    | 1,480  | Sep. 15 |
| Sep. 25 | 2,200  | 2,400  | Sep. 29 |
| Sep. 28 | 2,600  | 1,480  | Sep. 30 |
|         |        | 500    | Sep. 30 |
|         |        | 3,000  | Sep. 30 |
| Bal.    | 23,440 |        |         |

| Accounts Payable |       |       |        |
|------------------|-------|-------|--------|
| Sep. 14          | 1,600 | 2,300 | Sep. 4 |
|                  |       | 700   | Bal.   |

| Utilities Payable |     |         |
|-------------------|-----|---------|
|                   | 400 | Sep. 30 |
|                   | 400 | Bal.    |

| Accounts Receivable |     |     |         |
|---------------------|-----|-----|---------|
| Sep. 10             | 900 | 700 | Sep. 17 |
| Sep. 20             | 700 |     |         |
| Bal.                | 900 |     |         |

| Unearned Revenue |       |         |
|------------------|-------|---------|
|                  | 2,200 | Sep. 25 |
|                  | 2,200 | Bal.    |

| Office Supplies |     |  |
|-----------------|-----|--|
| Sep. 4          | 700 |  |
| Bal.            | 700 |  |

| Stann, Capital |        |        |
|----------------|--------|--------|
|                | 47,000 | Sep. 1 |
|                | 47,000 | Bal.   |

| Prepaid Insurance |       |  |
|-------------------|-------|--|
| Sep. 29           | 2,400 |  |
| Bal.              | 2,400 |  |

| Stann, Withdrawals |       |  |
|--------------------|-------|--|
| Sep. 30            | 3,000 |  |
| Bal.               | 3,000 |  |

| Furniture |       |  |
|-----------|-------|--|
| Sep. 4    | 1,600 |  |
| Bal.      | 1,600 |  |

| Service Revenue |       |         |
|-----------------|-------|---------|
|                 | 1,400 | Sep. 6  |
|                 | 900   | Sep. 10 |
|                 | 700   | Sep. 20 |
|                 | 2,600 | Sep. 28 |
|                 | 5,600 | Bal.    |

| Land   |        |  |
|--------|--------|--|
| Sep. 7 | 20,000 |  |
| Bal.   | 20,000 |  |

**P2-30A, cont.**

| Salaries Expense |       |  |
|------------------|-------|--|
| Sep. 15          | 1,480 |  |
| Sep. 30          | 1,480 |  |
| Bal.             | 2,960 |  |

| Rent Expense |     |  |
|--------------|-----|--|
| Sep. 30      | 500 |  |
| Bal.         | 500 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Sep. 30           | 400 |  |
| Bal.              | 400 |  |

**Requirement 4**

| DORIS STANN, DESIGNER<br>Trial Balance<br>September 30, 2017 |                  |                  |
|--|------------------|------------------|
| Account Title  | Balance          |                  |
|  | Debit            | Credit           |
| Cash   | \$ 23,440        |                  |
| Accounts Receivable  | 900              |                  |
| Office Supplies  | 700              |                  |
| Prepaid Insurance  | 2,400            |                  |
| Furniture  | 1,600            |                  |
| Land   | 20,000           |                  |
| Accounts Payable   |                  | \$ 700           |
| Utilities Payable  |                  | 400              |
| Unearned Revenue   |                  | 2,200            |
| Stann, Capital   |                  | 47,000           |
| Stann, Withdrawals   | 3,000            |                  |
| Service Revenue  |                  | 5,600            |
| Salaries Expense   | 2,960            |                  |
| Rent Expense   | 500              |                  |
| Utilities Expense  | 400              |                  |
| Total  | <b>\$ 55,900</b> | <b>\$ 55,900</b> |
|  |                  |                  |

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

| <b>Date</b> | <b>Accounts and Explanation</b> | <b>Posting Ref.</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|---------------------------------|---------------------|--------------|---------------|
| Jan. 1      | Cash                            | 101                 | 62,000       |               |
|             | Monroe, Capital                 | 301                 |              | 62,000        |
| 3           | Office Supplies                 | 121                 | 500          |               |
|             | Furniture                       | 141                 | 2,000        |               |
|             | Accounts Payable                | 201                 |              | 2,500         |
| 4           | Cash                            | 101                 | 1,600        |               |
|             | Service Revenue                 | 411                 |              | 1,600         |
| 7           | Building                        | 151                 | 70,000       |               |
|             | Land                            | 161                 | 29,000       |               |
|             | Cash                            | 101                 |              | 35,000        |
|             | Notes Payable                   | 221                 |              | 64,000        |
| 11          | Accounts Receivable             | 111                 | 300          |               |
|             | Service Revenue                 | 411                 |              | 300           |
| 15          | Salaries Expense                | 511                 | 1,180        |               |
|             | Cash                            | 101                 |              | 1,180         |
| 16          | Accounts Payable                | 201                 | 500          |               |
|             | Cash                            | 101                 |              | 500           |
| 18          | Cash                            | 101                 | 2,000        |               |
|             | Service Revenue                 | 411                 |              | 2,000         |
| 19          | Accounts Receivable             | 111                 | 1,400        |               |
|             | Service Revenue                 | 411                 |              | 1,400         |
| 25          | Utilities Expense               | 531                 | 550          |               |
|             | Utilities Payable               | 211                 |              | 550           |
| 29          | Cash                            | 101                 | 700          |               |
|             | Accounts Receivable             | 111                 |              | 700           |
| 30          | Prepaid Insurance               | 131                 | 840          |               |
|             | Cash                            | 101                 |              | 840           |
| 30          | Salaries Expense                | 511                 | 1,180        |               |
|             | Cash                            | 101                 |              | 1,180         |

**P2-31A, cont.**

|    |                     |     |       |       |
|----|---------------------|-----|-------|-------|
| 31 | Rent Expense        | 521 | 1,300 |       |
|    | Cash                | 101 |       | 1,300 |
| 31 | Monroe, Withdrawals | 311 | 2,900 |       |
|    | Cash                | 101 |       | 2,900 |

**Requirements 2 and 3****CASH****Account No. 101**

| Date    | Item | Post Ref. | Debit  | Credit | Balance |        |
|---------|------|-----------|--------|--------|---------|--------|
|         |      |           |        |        | Debit   | Credit |
| Jan. 1  |      | J1        | 62,000 |        | 62,000  |        |
| Jan. 4  |      | J1        | 1,600  |        | 63,600  |        |
| Jan. 7  |      | J1        |        | 35,000 | 28,600  |        |
| Jan. 15 |      | J1        |        | 1,180  | 27,420  |        |
| Jan. 16 |      | J1        |        | 500    | 26,920  |        |
| Jan. 18 |      | J1        | 2,000  |        | 28,920  |        |
| Jan. 29 |      | J1        | 700    |        | 29,620  |        |
| Jan. 30 |      | J1        |        | 840    | 28,780  |        |
| Jan. 30 |      | J1        |        | 1,180  | 27,600  |        |
| Jan. 31 |      | J1        |        | 1,300  | 26,300  |        |
| Jan. 31 |      | J1        |        | 2,900  | 23,400  |        |

**ACCOUNTS RECEIVABLE****Account No. 111**

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 11 |      | J1        | 300   |        | 300     |        |
| Jan. 19 |      | J1        | 1,400 |        | 1,700   |        |
| Jan. 29 |      | J1        |       | 700    | 1,000   |        |

**OFFICE SUPPLIES****Account No. 121**

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Jan. 3 |      | J1        | 500   |        | 500     |        |



**P2-31A, cont.****PREPAID INSURANCE**

Account No. 131

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 30 |      | J1        | 840   |        | 840     |        |

**FURNITURE**

Account No. 141

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Jan. 3 |      | J1        | 2,000 |        | 2,000   |        |

**BUILDING**

Account No. 151

| Date   | Item | Post Ref. | Debit  | Credit | Balance |        |
|--------|------|-----------|--------|--------|---------|--------|
|        |      |           |        |        | Debit   | Credit |
| Jan. 7 |      | J1        | 70,000 |        | 70,000  |        |

**LAND**

Account No. 161

| Date   | Item | Post Ref. | Debit  | Credit | Balance |        |
|--------|------|-----------|--------|--------|---------|--------|
|        |      |           |        |        | Debit   | Credit |
| Jan. 7 |      | J1        | 29,000 |        | 29,000  |        |

**ACCOUNTS PAYABLE**

Account No. 201

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 3  |      | J1        |       | 2,500  |         | 2,500  |
| Jan. 16 |      | J1        | 500   |        |         | 2,000  |

**UTILITIES PAYABLE**

Account No. 211

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 25 |      | J1        |       | 550    |         | 550    |

**NOTES PAYABLE**

Account No. 221

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Jan. 7 |      | J1        |       | 64,000 |         | 64,000 |

**P2-31A, cont.****MONROE, CAPITAL**

Account No. 301

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Jan. 1 |      | J1        |       | 62,000 |         | 62,000 |

**MONROE, WITHDRAWALS**

Account No. 311

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 31 |      | J1        | 2,900 |        | 2,900   |        |

**SERVICE REVENUE**

Account No. 411

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 4  |      | J1        |       | 1,600  |         | 1,600  |
| Jan. 11 |      | J1        |       | 300    |         | 1,900  |
| Jan. 18 |      | J1        |       | 2,000  |         | 3,900  |
| Jan. 19 |      | J1        |       | 1,400  |         | 5,300  |

**SALARIES EXPENSE**

Account No. 511

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 15 |      | J1        | 1,180 |        | 1,180   |        |
| Jan. 30 |      | J1        | 1,180 |        | 2,360   |        |

**RENT EXPENSE**

Account No. 521

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 31 |      | J1        | 1,300 |        | 1,300   |        |

**UTILITIES EXPENSE**

Account No. 531

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Jan. 25 |      | J1        | 550   |        | 550     |        |

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

| TIMOTHY MONROE, ATTORNEY<br>Trial Balance<br>January 31, 2017 |                   |                   |
|---|-------------------|-------------------|
| Account Title   | Balance           |                   |
|   | Debit             | Credit            |
| Cash  | \$ 23,400         |                   |
| Accounts Receivable   | 1,000             |                   |
| Office Supplies   | 500               |                   |
| Prepaid Insurance   | 840               |                   |
| Furniture   | 2,000             |                   |
| Building  | 70,000            |                   |
| Land  | 29,000            |                   |
| Accounts Payable  |                   | \$ 2,000          |
| Utilities Payable   |                   | 550               |
| Notes Payable   |                   | 64,000            |
| Monroe, Capital   |                   | 62,000            |
| Monroe, Withdrawals   | 2,900             |                   |
| Service Revenue   |                   | 5,300             |
| Salaries Expense  | 2,360             |                   |
| Rent Expense  | 1,300             |                   |
| Utilities Expense   | 550               |                   |
| Total   | <b>\$ 133,850</b> | <b>\$ 133,850</b> |
|   |                   |                   |

**P2-32A**  
**Requirement 1**

| Date   | Accounts and Explanation                             | Post.<br>Ref. | Debit | Credit |
|--------|--|---------------|-------|--------|
| Apr. 4 | Cash   | 11            | 1,000 |        |
|        | Accounts Receivable                                  | 12            |       | 1,000  |
|        | <i>Received cash from client on account.</i>         |               |       |        |
| 8      | Accounts Receivable                                  | 12            | 5,800 |        |
|        | Service Revenue                                      | 41            |       | 5,800  |
|        | <i>Performed tax services for client on account.</i> |               |       |        |
| 13     | Accounts Payable                                     | 21            | 1,500 |        |
|        | Cash   | 11            |       | 1,500  |
|        | <i>Paid cash on account.</i>                         |               |       |        |

**P2-32A, cont.**

|         |  |    |       |       |
|---------|--|----|-------|-------|
| Apr. 14 | Furniture  | 14 | 4,600 |       |
|         | Accounts Payable   | 21 |       | 4,600 |
|         | <i>Purchased furniture on account.</i>                           |    |       |       |
| 15      | Automobile   | 15 | 8,000 |       |
|         | Mentz, Capital   | 31 |       | 8,000 |
|         | <i>Owner contribution.</i>                                       |    |       |       |
| 18      | Office Supplies  | 13 | 500   |       |
|         | Accounts Payable   | 21 |       | 500   |
|         | <i>Purchased office supplies on account.</i>                     |    |       |       |
| 19      | Cash   | 11 | 2,900 |       |
|         | Accounts Receivable  | 12 |       | 2,900 |
|         | <i>Received cash on account.</i>                                 |    |       |       |
| 20      | Mentz, Withdrawals   | 33 | 8,000 |       |
|         | Cash   | 11 |       | 8,000 |
|         | <i>Owner withdrawal.</i>   |    |       |       |
| 21      | Cash   | 11 | 5,400 |       |
|         | Service Revenue  | 41 |       | 5,400 |
|         | <i>Received cash for consulting work.</i>                        |    |       |       |
| 24      | Cash   | 11 | 1,200 |       |
|         | Unearned Revenue   | 22 |       | 1,200 |
|         | <i>Received payment for services to be performed next month.</i> |    |       |       |
| 27      | Rent Expense   | 52 | 700   |       |
|         | Cash   | 11 |       | 700   |
|         | <i>Paid office rent.</i>   |    |       |       |
| 28      | Salaries Expense   | 51 | 1,600 |       |
|         | Cash   | 11 |       | 1,600 |
|         | <i>Paid employee salary.</i>                                     |    |       |       |

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

**CASH**

Account No. 11

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 18,000  |        |
| Apr. 4  |         | J5        | 1,000 |        | 19,000  |        |
| Apr. 13 |         | J5        |       | 1,500  | 17,500  |        |
| Apr. 19 |         | J5        | 2,900 |        | 20,400  |        |
| Apr. 20 |         | J5        |       | 8,000  | 12,400  |        |
| Apr. 21 |         | J5        | 5,400 |        | 17,800  |        |
| Apr. 24 |         | J5        | 1,200 |        | 19,000  |        |
| Apr. 27 |         | J5        |       | 700    | 18,300  |        |
| Apr. 28 |         | J5        |       | 1,600  | 16,700  |        |

**ACCOUNTS RECEIVABLE**

Account No. 12

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 9,500   |        |
| Apr. 4  |         | J5        |       | 1,000  | 8,500   |        |
| Apr. 8  |         | J5        | 5,800 |        | 14,300  |        |
| Apr. 19 |         | J5        |       | 2,900  | 11,400  |        |

**OFFICE SUPPLIES**

Account No. 13

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 1,000   |        |
| Apr. 18 |         | J5        | 500   |        | 1,500   |        |

**FURNITURE**

Account No. 14

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 14 |      | J5        | 4,600 |        | 4,600   |        |

**AUTOMOBILE**

Account No. 15

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 15 |      | J5        | 8,000 |        | 8,000   |        |

**P2-32A, cont.****LAND**

Account No. 16

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 26,000  |        |

**ACCOUNTS PAYABLE**

Account No. 21

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 5,500  |
| Apr. 13 |         | J5        | 1,500 |        |         | 4,000  |
| Apr. 14 |         | J5        |       | 4,600  |         | 8,600  |
| Apr. 18 |         | J5        |       | 500    |         | 9,100  |

**UNEARNED REVENUE**

Account No. 22

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 24 |      | J5        |       | 1,200  |         | 1,200  |

**MENTZ, CAPITAL**

Account No. 31

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 44,100 |
| Apr. 15 |         | J5        |       | 8,000  |         | 52,100 |

**MENTZ, WITHDRAWALS**

Account No. 33

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 20 |      | J5        | 8,000 |        | 8,000   |        |

**SERVICE REVENUE**

Account No. 41

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 10,800 |
| Apr. 8  |         | J5        |       | 5,800  |         | 16,600 |
| Apr. 21 |         | J5        |       | 5,400  |         | 22,000 |

**P2-32A, cont.****SALARIES EXPENSE**

Account No. 51

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 5,000   |        |
| Apr. 28 |         | J5        | 1,600 |        | 6,600   |        |

**RENT EXPENSE**

Account No. 52

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 900     |        |
| Apr. 27 |         | J5        | 700   |        | 1,600   |        |

**Requirement 4**

| STEVE MENTZ, CPA<br>Trial Balance<br>April 30, 2017 |                     |                  |                  |
|---|---------------------|------------------|------------------|
| Acct. No.   | Account Title       | Balance          |                  |
|   |                     | Debit            | Credit           |
| 11  | Cash                | \$ 16,700        |                  |
| 12  | Accounts Receivable | 11,400           |                  |
| 13  | Office Supplies     | 1,500            |                  |
| 14  | Furniture           | 4,600            |                  |
| 15  | Automobile          | 8,000            |                  |
| 16  | Land                | 26,000           |                  |
| 21  | Accounts Payable    |                  | \$ 9,100         |
| 22  | Unearned Revenue    |                  | 1,200            |
| 31  | Mentz, Capital      |                  | 52,100           |
| 33  | Mentz, Withdrawals  | 8,000            |                  |
| 41  | Service Revenue     |                  | 22,000           |
| 51  | Salaries Expense    | 6,600            |                  |
| 52  | Rent Expense        | 1,600            |                  |
|   | Total               | <b>\$ 84,400</b> | <b>\$ 84,400</b> |
|   |                     |                  |                  |

**P2-33A**

| CREATIVE CHILD CARE<br>Trial Balance<br>August 31, 2017 |                   |                   |
|---|-------------------|-------------------|
| Account Title   | Balance           |                   |
|   | Debit             | Credit            |
| Cash  | \$ 10,200         |                   |
| Accounts Receivable                                     | 15,000            |                   |
| Office Supplies   | 2,500             |                   |
| Prepaid Insurance                                       | 3,900             |                   |
| Equipment   | 76,500            |                   |
| Accounts Payable  |                   | \$ 4,400          |
| Notes Payable   |                   | 47,000            |
| Tarrago, Capital  |                   | 50,000            |
| Tarrago, Withdrawals                                    | 3,400             |                   |
| Service Revenue   |                   | 14,500            |
| Salaries Expense  | 3,500             |                   |
| Rent Expense  | 700               |                   |
| Advertising Expense                                     | 200               |                   |
| Total   | <b>\$ 115,900</b> | <b>\$ 115,900</b> |
|   |                   |                   |

## Explanations:

- a. Increase Cash by \$1,400.
- b. Increase Accounts Receivable by \$7,800 ( $\$3,900 \times 2$ ).
- c. Increase Office Supplies and Accounts Payable by \$1,300 each.
- d. Decrease Equipment by \$7,800 ( $\$84,300 - \$76,500$ ).
- e. Decrease Salaries Expense by \$300.
- f. Advertising Expense should have a debit balance of \$200. Decrease Cash by \$200.
- g. Tarrago, Withdrawals should decrease by \$2,160 and Cash should increase by \$2,160 ( $\$2,400 - \$240$ ).
- h. Service Revenue should increase by \$4,500.
- i. Prepaid Insurance should increase by \$3,600 ( $\$1,800 \times 2$ ).



**P2-34A****Requirement 1**

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**SANDRA SOUSA, REGISTERED DIETICIAN****Income Statement****Month Ended July 31, 2017**

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## Revenues:

Service Revenue \$ 11,840

## Expenses:

Salaries Expense \$ 2,300

Rent Expense 800

Utilities Expense 250

Total Expenses 3,350

Net Income \$ 8,490

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**Requirement 2**

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**SANDRA SOUSA, REGISTERED DIETICIAN****Statement of Owner's Equity****Month Ended July 31, 2017**

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Sousa, Capital, July 1, 2017 \$ 0

Owner contribution 24,000

Net income for the month 8,490

32,490

Owner withdrawal (2,600)

Sousa, Capital, July 31, 2017 \$ 29,890

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

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SANDRA SOUSA, REGISTERED DIETICIAN  
Balance Sheet  
July 31, 2017

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| Assets              |                  | Liabilities                          |                  |
|---------------------|------------------|--------------------------------------|------------------|
| Cash                | \$ 33,000        | Accounts Payable                     | \$ 3,300         |
| Accounts Receivable | 9,500            | Unearned Revenue                     | 2,810            |
| Office Supplies     | 1,500            | Notes Payable                        | 25,000           |
| Prepaid Insurance   | 2,000            | Total Liabilities                    | <u>31,110</u>    |
| Equipment           | 15,000           |                                      |                  |
|                     |                  | Owner's Equity                       |                  |
|                     |                  | Sousa, Capital                       | 29,890           |
| Total Assets        | <u>\$ 61,000</u> | Total Liabilities and Owner's Equity | <u>\$ 61,000</u> |

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**Requirement 4**

Debt ratio = Total liabilities / Total assets = \$31,110 / \$61,000 = 0.51 = 51%

## ***Problems (Group B)***

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**P2-35B**

### **Requirement 1**

| <b>Date</b> | <b>Accounts and Explanation</b>                               | <b>Posting Ref.</b> | <b>Debit</b>          | <b>Credit</b> |
|-------------|---|---------------------|-----------------------|---------------|
| Mar. 1      | Cash<br>York, Capital   |                     | 64,000                | 64,000        |
| 5           | Rent Expense<br>Cash  |                     | 630                   | 630           |
| 9           | Land<br>Cash  |                     | 13,000                | 13,000        |
| 10          | Office Supplies<br>Accounts Payable                           |                     | 1,800                 | 1,800         |
| 19          | Cash<br>Notes Payable   |                     | 24,000                | 24,000        |
| 22          | Accounts Payable<br>Cash                                      |                     | 1,200                 | 1,200         |
| 28          | Advertising Expense<br>Advertising Payable                    |                     | 270                   | 270           |
| 31          | Cash<br>Accounts Receivable<br>Service Revenue                |                     | 6,600<br>5,800        | 12,400        |
| 31          | Salaries Expense<br>Rent Expense<br>Utilities Expense<br>Cash |                     | 2,700<br>1,500<br>400 | 4,600         |
| 31          | Cash<br>Unearned Revenue                                      |                     | 1,450                 | 1,450         |
| 31          | York, Withdrawals<br>Cash                                     |                     | 6,600                 | 6,600         |

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

| Cash    |        |        |         |
|---------|--------|--------|---------|
| Mar. 1  | 64,000 | 630    | Mar. 5  |
| Mar. 19 | 24,000 | 13,000 | Mar. 9  |
| Mar. 31 | 6,600  | 1,200  | Mar. 22 |
| Mar. 31 | 1,450  | 4,600  | Mar. 31 |
|         |        | 6,600  | Mar. 31 |
| Bal.    | 70,020 |        |         |

| Accounts Receivable |       |  |
|---------------------|-------|--|
| Mar. 31             | 5,800 |  |
| Bal.                | 5,800 |  |

| Office Supplies |       |  |
|-----------------|-------|--|
| Mar. 10         | 1,800 |  |
| Bal.            | 1,800 |  |

| Land   |        |  |
|--------|--------|--|
| Mar. 9 | 13,000 |  |
| Bal.   | 13,000 |  |

| Accounts Payable |       |       |         |
|------------------|-------|-------|---------|
| Mar. 22          | 1,200 | 1,800 | Mar. 10 |
|                  |       | 600   | Bal.    |

| Advertising Payable |     |         |
|---------------------|-----|---------|
|                     | 270 | Mar. 28 |
|                     | 270 | Bal.    |

| Unearned Revenue |       |         |
|------------------|-------|---------|
|                  | 1,450 | Mar. 31 |
|                  | 1,450 | Bal.    |

| Notes Payable |        |         |
|---------------|--------|---------|
|               | 24,000 | Mar. 19 |
|               | 24,000 | Bal.    |

| York, Capital |        |        |
|---------------|--------|--------|
|               | 64,000 | Mar. 1 |
|               | 64,000 | Bal.   |

| York, Withdrawals |       |  |
|-------------------|-------|--|
| Mar. 31           | 6,600 |  |
| Bal.              | 6,600 |  |

| Service Revenue |        |         |
|-----------------|--------|---------|
|                 | 12,400 | Mar. 31 |
|                 | 12,400 | Bal.    |

| Salaries Expense |       |  |
|------------------|-------|--|
| Mar. 31          | 2,700 |  |
| Bal.             | 2,700 |  |

| Rent Expense |       |  |
|--------------|-------|--|
| Mar. 5       | 630   |  |
| Mar. 31      | 1,500 |  |
| Bal.         | 2,130 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Mar. 31           | 400 |  |
| Bal.              | 400 |  |

| Advertising Expense |     |  |
|---------------------|-----|--|
| Mar. 28             | 270 |  |
| Bal.                | 270 |  |

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

| VITO YORK, MD<br>Trial Balance<br>March 31, 2017 |                   |                   |
|--|-------------------|-------------------|
| Account Title                                    | Balance           |                   |
|  | Debit             | Credit            |
| Cash   | \$ 70,020         |                   |
| Accounts Receivable                              | 5,800             |                   |
| Office Supplies                                  | 1,800             |                   |
| Land   | 13,000            |                   |
| Accounts Payable                                 |                   | \$ 600            |
| Advertising Payable                              |                   | 270               |
| Unearned Revenue                                 |                   | 1,450             |
| Notes Payable                                    |                   | 24,000            |
| York, Capital                                    |                   | 64,000            |
| York, Withdrawals                                | 6,600             |                   |
| Service Revenue                                  |                   | 12,400            |
| Salaries Expense                                 | 2,700             |                   |
| Rent Expense                                     | 2,130             |                   |
| Utilities Expense                                | 400               |                   |
| Advertising Expense                              | 270               |                   |
| Total  | <b>\$ 102,720</b> | <b>\$ 102,720</b> |
|  |                   |                   |

**P2-36B****Requirement 1**

| <b>Date</b> | <b>Accounts and Explanation</b>                  | <b>Posting Ref.</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|--|---------------------|--------------|---------------|
| Nov. 1      | Cash<br>Sikes, Capital                           |                     | 39,000       | 39,000        |
| 4           | Office Supplies<br>Furniture<br>Accounts Payable |                     | 900<br>1,800 | 2,700         |
| 6           | Cash<br>Service Revenue                          |                     | 2,000        | 2,000         |
| 7           | Land<br>Cash                                     |                     | 24,000       | 24,000        |
| 10          | Accounts Receivable<br>Service Revenue           |                     | 1,200        | 1,200         |
| 14          | Accounts Payable<br>Cash                         |                     | 1,800        | 1,800         |
| 15          | Salaries Expense<br>Cash                         |                     | 1,410        | 1,410         |
| 17          | Cash<br>Accounts Receivable                      |                     | 1,000        | 1,000         |
| 20          | Accounts Receivable<br>Service Revenue           |                     | 900          | 900           |
| 25          | Cash<br>Unearned Revenue                         |                     | 2,100        | 2,100         |
| 28          | Cash<br>Service Revenue                          |                     | 2,800        | 2,800         |
| 29          | Prepaid Insurance<br>Cash                        |                     | 1,080        | 1,080         |
| 30          | Salaries Expense<br>Cash                         |                     | 1,410        | 1,410         |
| 30          | Rent Expense<br>Cash                             |                     | 800          | 800           |

**P2-36B, cont.**

|         |                    |  |       |       |
|---------|--------------------|--|-------|-------|
| Nov. 30 | Utilities Expense  |  | 600   |       |
|         | Utilities Payable  |  |       | 600   |
| 30      | Sikes, Withdrawals |  | 4,000 |       |
|         | Cash               |  |       | 4,000 |

**Requirements 2 and 3**

| Cash    |        |        |         |
|---------|--------|--------|---------|
| Nov. 1  | 39,000 | 24,000 | Nov. 7  |
| Nov. 6  | 2,000  | 1,800  | Nov. 14 |
| Nov. 17 | 1,000  | 1,410  | Nov. 15 |
| Nov. 25 | 2,100  | 1,080  | Nov. 29 |
| Nov. 28 | 2,800  | 1,410  | Nov. 30 |
|         |        | 800    | Nov. 30 |
|         |        | 4,000  | Nov. 30 |
| Bal.    | 12,400 |        |         |

| Accounts Receivable |       |       |         |
|---------------------|-------|-------|---------|
| Nov. 10             | 1,200 | 1,000 | Nov. 17 |
| Nov. 20             | 900   |       |         |
| Bal.                | 1,100 |       |         |

| Office Supplies |     |  |
|-----------------|-----|--|
| Nov. 4          | 900 |  |
| Bal.            | 900 |  |

| Prepaid Insurance |       |  |
|-------------------|-------|--|
| Nov. 29           | 1,080 |  |
| Bal.              | 1,080 |  |

| Furniture |       |  |
|-----------|-------|--|
| Nov. 4    | 1,800 |  |
| Bal.      | 1,800 |  |

| Land   |        |  |
|--------|--------|--|
| Nov. 7 | 24,000 |  |
| Bal.   | 24,000 |  |

| Accounts Payable |       |       |        |
|------------------|-------|-------|--------|
| Nov. 14          | 1,800 | 2,700 | Nov. 4 |
|                  |       | 900   | Bal.   |

| Utilities Payable |     |         |
|-------------------|-----|---------|
|                   | 600 | Nov. 30 |
|                   | 600 | Bal.    |

| Unearned Revenue |       |         |
|------------------|-------|---------|
|                  | 2,100 | Nov. 25 |
|                  | 2,100 | Bal.    |

| Sikes, Capital |        |        |
|----------------|--------|--------|
|                | 39,000 | Nov. 1 |
|                | 39,000 | Bal.   |

| Sikes, Withdrawals |       |  |
|--------------------|-------|--|
| Nov. 30            | 4,000 |  |
| Bal.               | 4,000 |  |

| Service Revenue |       |         |
|-----------------|-------|---------|
|                 | 2,000 | Nov. 6  |
|                 | 1,200 | Nov. 10 |
|                 | 900   | Nov. 20 |
|                 | 2,800 | Nov. 28 |
|                 | 6,900 | Bal.    |

| Salaries Expense |       |  |
|------------------|-------|--|
| Nov. 15          | 1,410 |  |
| Nov. 30          | 1,410 |  |
| Bal.             | 2,820 |  |

**P2-36B, cont.**

| Rent Expense |     |  |
|--------------|-----|--|
| Nov. 30      | 800 |  |
| Bal.         | 800 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Nov. 30           | 600 |  |
| Bal.              | 600 |  |

**Requirement 4**

| DEB SIKES, DESIGNER<br>Trial Balance<br>November 30, 2017 |                  |                  |
|---|------------------|------------------|
| Account Title   | Balance          |                  |
|   | Debit            | Credit           |
| Cash  | \$ 12,400        |                  |
| Accounts Receivable                                       | 1,100            |                  |
| Office Supplies   | 900              |                  |
| Prepaid Insurance   | 1,080            |                  |
| Furniture   | 1,800            |                  |
| Land  | 24,000           |                  |
| Accounts Payable  |                  | \$ 900           |
| Utilities Payable   |                  | 600              |
| Unearned Revenue  |                  | 2,100            |
| Sikes, Capital  |                  | 39,000           |
| Sikes, Withdrawals  | 4,000            |                  |
| Service Revenue   |                  | 6,900            |
| Salaries Expense  | 2,820            |                  |
| Rent Expense  | 800              |                  |
| Utilities Expense   | 600              |                  |
| Total   | <b>\$ 49,500</b> | <b>\$ 49,500</b> |
|   |                  |                  |



**P2-37B****Requirement 1**

| <b>Date</b> | <b>Accounts and Explanation</b> | <b>Posting Ref.</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|---------------------------------|---------------------|--------------|---------------|
| Apr. 1      | Cash                            | 101                 | 76,000       |               |
|             | Moore, Capital                  | 301                 |              | 76,000        |
| 3           | Office Supplies                 | 121                 | 400          |               |
|             | Furniture                       | 141                 | 2,200        |               |
|             | Accounts Payable                | 201                 |              | 2,600         |
| 4           | Cash                            | 101                 | 900          |               |
|             | Service Revenue                 | 411                 |              | 900           |
| 7           | Building                        | 151                 | 120,000      |               |
|             | Land                            | 161                 | 29,000       |               |
|             | Cash                            | 101                 |              | 45,000        |
|             | Notes Payable                   | 221                 |              | 104,000       |
| 11          | Accounts Receivable             | 111                 | 800          |               |
|             | Service Revenue                 | 411                 |              | 800           |
| 15          | Salaries Expense                | 511                 | 1,230        |               |
|             | Cash                            | 101                 |              | 1,230         |
| 16          | Accounts Payable                | 201                 | 400          |               |
|             | Cash                            | 101                 |              | 400           |
| 18          | Cash                            | 101                 | 2,800        |               |
|             | Service Revenue                 | 411                 |              | 2,800         |
| 19          | Accounts Receivable             | 111                 | 1,500        |               |
|             | Service Revenue                 | 411                 |              | 1,500         |
| 25          | Utilities Expense               | 531                 | 650          |               |
|             | Utilities Payable               | 211                 |              | 650           |
| 28          | Cash                            | 101                 | 1,700        |               |
|             | Accounts Receivable             | 111                 |              | 1,700         |
| 29          | Prepaid Insurance               | 131                 | 4,800        |               |
|             | Cash                            | 101                 |              | 4,800         |
| 29          | Salaries Expense                | 511                 | 1,230        |               |
|             | Cash                            | 101                 |              | 1,230         |

**P2-37B, cont.**

|         |                    |     |       |       |
|---------|--------------------|-----|-------|-------|
| Apr. 30 | Rent Expense       | 521 | 1,100 |       |
|         | Cash               | 101 |       | 1,100 |
| 30      | Moore, Withdrawals | 311 | 2,000 |       |
|         | Cash               | 101 |       | 2,000 |

**Requirements 2 and 3****CASH****Account No. 101**

| Date    | Item | Post Ref. | Debit  | Credit | Balance |        |
|---------|------|-----------|--------|--------|---------|--------|
|         |      |           |        |        | Debit   | Credit |
| Apr. 1  |      | J1        | 76,000 |        | 76,000  |        |
| Apr. 4  |      | J1        | 900    |        | 76,900  |        |
| Apr. 7  |      | J1        |        | 45,000 | 31,900  |        |
| Apr. 15 |      | J1        |        | 1,230  | 30,670  |        |
| Apr. 16 |      | J1        |        | 400    | 30,270  |        |
| Apr. 18 |      | J1        | 2,800  |        | 33,070  |        |
| Apr. 28 |      | J1        | 1,700  |        | 34,770  |        |
| Apr. 29 |      | J1        |        | 4,800  | 29,970  |        |
| Apr. 29 |      | J1        |        | 1,230  | 28,740  |        |
| Apr. 30 |      | J1        |        | 1,100  | 27,640  |        |
| Apr. 30 |      | J1        |        | 2,000  | 25,640  |        |

**ACCOUNTS RECEIVABLE****Account No. 111**

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 11 |      | J1        | 800   |        | 800     |        |
| Apr. 19 |      | J1        | 1,500 |        | 2,300   |        |
| Apr. 28 |      | J1        |       | 1,700  | 600     |        |

**OFFICE SUPPLIES****Account No. 121**

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Apr. 3 |      | J1        | 400   |        | 400     |        |

**PREPAID INSURANCE****Account No. 131**

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 29 |      | J1        | 4,800 |        | 4,800   |        |

**P2-37B, cont.****FURNITURE**

Account No. 141

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Apr. 3 |      | J1        | 2,200 |        | 2,200   |        |

**BUILDING**

Account No. 151

| Date   | Item | Post Ref. | Debit   | Credit | Balance |        |
|--------|------|-----------|---------|--------|---------|--------|
|        |      |           |         |        | Debit   | Credit |
| Apr. 7 |      | J1        | 120,000 |        | 120,000 |        |

**LAND**

Account No. 161

| Date   | Item | Post Ref. | Debit  | Credit | Balance |        |
|--------|------|-----------|--------|--------|---------|--------|
|        |      |           |        |        | Debit   | Credit |
| Apr. 7 |      | J1        | 29,000 |        | 29,000  |        |

**ACCOUNTS PAYABLE**

Account No. 201

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 3  |      | J1        |       | 2,600  |         | 2,600  |
| Apr. 16 |      | J1        | 400   |        |         | 2,200  |

**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        |       | 104,000 |         | 104,000 |

**MOORE, CAPITAL**

Account No. 301

| Date   | Item | Post Ref. | Debit | Credit | Balance |        |
|--------|------|-----------|-------|--------|---------|--------|
|        |      |           |       |        | Debit   | Credit |
| Apr. 1 |      | J1        |       | 76,000 |         | 76,000 |

**P2-37B, cont.****MOORE, WITHDRAWALS**

Account No. 311

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 30 |      | J1        | 2,000 |        | 2,000   |        |

**SERVICE REVENUE**

Account No. 411

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 4  |      | J1        |       | 900    |         | 900    |
| Apr. 11 |      | J1        |       | 800    |         | 1,700  |
| Apr. 18 |      | J1        |       | 2,800  |         | 4,500  |
| Apr. 19 |      | J1        |       | 1,500  |         | 6,000  |

**SALARIES EXPENSE**

Account No. 511

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 15 |      | J1        | 1,230 |        | 1,230   |        |
| Apr. 29 |      | J1        | 1,230 |        | 2,460   |        |

**RENT EXPENSE**

Account No. 521

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 30 |      | J1        | 1,100 |        | 1,100   |        |

**UTILITIES EXPENSE**

Account No. 531

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 25 |      | J1        | 650   |        | 650     |        |

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

| TREVOR MOORE, ATTORNEY<br>Trial Balance<br>April 30, 2017 |                   |                   |
|---|-------------------|-------------------|
| Account Title   | Balance           |                   |
|   | Debit             | Credit            |
| Cash  | \$ 25,640         |                   |
| Accounts Receivable                                       | 600               |                   |
| Office Supplies   | 400               |                   |
| Prepaid Insurance   | 4,800             |                   |
| Furniture   | 2,200             |                   |
| Building  | 120,000           |                   |
| Land  | 29,000            |                   |
| Accounts Payable  |                   | \$ 2,200          |
| Utilities Payable   |                   | 650               |
| Notes Payable   |                   | 104,000           |
| Moore, Capital  |                   | 76,000            |
| Moore, Withdrawals  | 2,000             |                   |
| Service Revenue   |                   | 6,000             |
| Salaries Expense  | 2,460             |                   |
| Rent Expense  | 1,100             |                   |
| Utilities Expense   | 650               |                   |
| Total   | <b>\$ 188,850</b> | <b>\$ 188,850</b> |
|   |                   |                   |

**P2-38B**
**Requirement 1**

| Date   | Accounts and Explanation   | Posting Ref. | Debit  | Credit |
|--------|--|--------------|--------|--------|
| Apr. 4 | Cash   | 11           | 2,000  |        |
|        | Accounts Receivable  | 12           |        | 2,000  |
|        | <i>Received cash from client on account.</i>                     |              |        |        |
| 8      | Accounts Receivable  | 12           | 5,400  |        |
|        | Service Revenue  | 41           |        | 5,400  |
|        | <i>Performed tax services for client on account.</i>             |              |        |        |
| 13     | Accounts Payable   | 21           | 3,300  |        |
|        | Cash   | 11           |        | 3,300  |
|        | <i>Paid cash on account.</i>                                     |              |        |        |
| 14     | Furniture  | 14           | 4,600  |        |
|        | Accounts Payable   | 21           |        | 4,600  |
|        | <i>Purchased furniture on account.</i>                           |              |        |        |
| 15     | Automobile   | 15           | 10,000 |        |
|        | Howe, Capital  | 31           |        | 10,000 |
|        | <i>Owner contribution.</i>                                       |              |        |        |
| 18     | Office Supplies  | 13           | 1,000  |        |
|        | Accounts Payable   | 21           |        | 1,000  |
|        | <i>Purchased office supplies on account.</i>                     |              |        |        |
| 19     | Cash   | 11           | 2,700  |        |
|        | Accounts Receivable  | 12           |        | 2,700  |
|        | <i>Received cash on account.</i>                                 |              |        |        |
| 20     | Howe, Withdrawals  | 33           | 4,000  |        |
|        | Cash   | 11           |        | 4,000  |
|        | <i>Owner withdrawal.</i>   |              |        |        |
| 21     | Cash   | 11           | 3,800  |        |
|        | Service Revenue  | 41           |        | 3,800  |
|        | <i>Received cash for consulting work.</i>                        |              |        |        |
| 24     | Cash   | 11           | 1,400  |        |
|        | Unearned Revenue   | 22           |        | 1,400  |
|        | <i>Received payment for services to be performed next month.</i> |              |        |        |

**P2-38B, cont.**

|         |                              |    |       |       |
|---------|------------------------------|----|-------|-------|
| Apr. 27 | Rent Expense                 | 52 | 600   |       |
|         | Cash                         | 11 |       | 600   |
|         | <i>Paid office rent.</i>     |    |       |       |
| 28      | Salaries Expense             | 51 | 1,000 |       |
|         | Cash                         | 11 |       | 1,000 |
|         | <i>Paid employee salary.</i> |    |       |       |

**Requirements 2 and 3****CASH**

Account No. 11

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 10,000  |        |
| Apr. 4  |         | J5        | 2,000 |        | 12,000  |        |
| Apr. 13 |         | J5        |       | 3,300  | 8,700   |        |
| Apr. 19 |         | J5        | 2,700 |        | 11,400  |        |
| Apr. 20 |         | J5        |       | 4,000  | 7,400   |        |
| Apr. 21 |         | J5        | 3,800 |        | 11,200  |        |
| Apr. 24 |         | J5        | 1,400 |        | 12,600  |        |
| Apr. 27 |         | J5        |       | 600    | 12,000  |        |
| Apr. 28 |         | J5        |       | 1,000  | 11,000  |        |

**ACCOUNTS RECEIVABLE**

Account No. 12

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 7,500   |        |
| Apr. 4  |         | J5        |       | 2,000  | 5,500   |        |
| Apr. 8  |         | J5        | 5,400 |        | 10,900  |        |
| Apr. 19 |         | J5        |       | 2,700  | 8,200   |        |

**OFFICE SUPPLIES**

Account No. 13

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 400     |        |
| Apr. 18 |         | J5        | 1,000 |        | 1,400   |        |

**P2-38B, cont.****FURNITURE**

Account No. 14

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 14 |      | J5        | 4,600 |        | 4,600   |        |

**AUTOMOBILE**

Account No. 15

| Date    | Item | Post Ref. | Debit  | Credit | Balance |        |
|---------|------|-----------|--------|--------|---------|--------|
|         |      |           |        |        | Debit   | Credit |
| Apr. 15 |      | J5        | 10,000 |        | 10,000  |        |

**LAND**

Account No. 16

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 27,000  |        |

**ACCOUNTS PAYABLE**

Account No. 21

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 4,200  |
| Apr. 13 |         | J5        | 3,300 |        |         | 900    |
| Apr. 14 |         | J5        |       | 4,600  |         | 5,500  |
| Apr. 18 |         | J5        |       | 1,000  |         | 6,500  |

**UNEARNED REVENUE**

Account No. 22

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 24 |      | J5        |       | 1,400  |         | 1,400  |

**HOWE, CAPITAL**

Account No. 31

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 33,300 |
| Apr. 15 |         | J5        |       | 10,000 |         | 43,300 |

**HOWE, WITHDRAWALS**

Account No. 33

| Date    | Item | Post Ref. | Debit | Credit | Balance |        |
|---------|------|-----------|-------|--------|---------|--------|
|         |      |           |       |        | Debit   | Credit |
| Apr. 20 |      | J5        | 4,000 |        | 4,000   |        |



**P2-38B, cont.****SERVICE REVENUE**

Account No. 41

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        |         | 10,800 |
| Apr. 8  |         | J5        |       | 5,400  |         | 16,200 |
| Apr. 21 |         | J5        |       | 3,800  |         | 20,000 |

**SALARIES EXPENSE**

Account No. 51

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 2,500   |        |
| Apr. 28 |         | J5        | 1,000 |        | 3,500   |        |

**RENT EXPENSE**

Account No. 52

| Date    | Item    | Post Ref. | Debit | Credit | Balance |        |
|---------|---------|-----------|-------|--------|---------|--------|
|         |         |           |       |        | Debit   | Credit |
| Mar. 31 | Balance |           |       |        | 900     |        |
| Apr. 27 |         | J5        | 600   |        | 1,500   |        |

**Requirement 4**

| JAMES HOWE, CPA<br>Trial Balance<br>April 30, 2017 |                     |                  |                  |
|--|---------------------|------------------|------------------|
| Acct. No.  | Account Title       | Balance          |                  |
|  |                     | Debit            | Credit           |
| 11   | Cash                | \$ 11,000        |                  |
| 12   | Accounts Receivable | 8,200            |                  |
| 13   | Office Supplies     | 1,400            |                  |
| 14   | Furniture           | 4,600            |                  |
| 15   | Automobile          | 10,000           |                  |
| 16   | Land                | 27,000           |                  |
| 21   | Accounts Payable    |                  | \$ 6,500         |
| 22   | Unearned Revenue    |                  | 1,400            |
| 31   | Howe, Capital       |                  | 43,300           |
| 33   | Howe, Withdrawals   | 4,000            |                  |
| 41   | Service Revenue     |                  | 20,000           |
| 51   | Salaries Expense    | 3,500            |                  |
| 52   | Rent Expense        | 1,500            |                  |
|  | Total               | <b>\$ 71,200</b> | <b>\$ 71,200</b> |
|  |                     |                  |                  |

**P2-39B**

| LEARN FOR LIFE CHILD CARE<br>Trial Balance<br>May 31, 2017 |                   |                   |
|--|-------------------|-------------------|
| Account Title  | Balance           |                   |
|  | Debit             | Credit            |
| Cash   | \$ 10,500         |                   |
| Accounts Receivable  | 15,900            |                   |
| Office Supplies  | 2,100             |                   |
| Prepaid Insurance  | 3,600             |                   |
| Equipment  | 81,500            |                   |
| Accounts Payable   |                   | \$ 4,700          |
| Notes Payable  |                   | 48,000            |
| Emerald, Capital   |                   | 54,000            |
| Emerald, Withdrawals                                       | 2,700             |                   |
| Service Revenue  |                   | 15,700            |
| Salaries Expense   | 4,600             |                   |
| Rent Expense   | 900               |                   |
| Advertising Expense  | 600               |                   |
| Total  | <b>\$ 122,400</b> | <b>\$ 122,400</b> |
|  |                   |                   |

## Explanations:

- a. Increase Cash by \$1,800.
- b. Increase Accounts Receivable by \$7,800 ( $\$3,900 \times 2$ ).
- c. Increase Office Supplies and Accounts Payable by \$1,200 each.
- d. Decrease Equipment by \$7,800 ( $\$89,300 - \$81,500$ ).
- e. Decrease Salaries Expense by \$500.
- f. Advertising Expense should have a debit balance of \$600. Decrease Cash by \$600.
- g. Emerald, Withdrawals should decrease by \$900 and Cash should increase by \$900 ( $\$1,000 - \$100$ ).
- h. Service Revenue should increase by \$4,200.
- i. Prepaid Insurance should increase by \$2,600 ( $\$1,300 \times 2$ ).

**P2-40B****Requirement 1**

---

**SARAH SILK, REGISTERED DIETICIAN****Income Statement****Month Ended July 31, 2017**

---

## Revenues:

|                 |          |
|-----------------|----------|
| Service Revenue | \$ 9,858 |
|-----------------|----------|

## Expenses:

|                  |          |
|------------------|----------|
| Salaries Expense | \$ 1,300 |
|------------------|----------|

|              |     |
|--------------|-----|
| Rent Expense | 800 |
|--------------|-----|

|                   |     |
|-------------------|-----|
| Utilities Expense | 250 |
|-------------------|-----|

|                |       |
|----------------|-------|
| Total Expenses | 2,350 |
|----------------|-------|

|            |          |
|------------|----------|
| Net Income | \$ 7,508 |
|------------|----------|

---

**Requirement 2**

---

**SARAH SILK, REGISTERED DIETICIAN****Statement of Owner's Equity****Month Ended July 31, 2017**

---

|                             |      |
|-----------------------------|------|
| Silk, Capital, July 1, 2017 | \$ 0 |
|-----------------------------|------|

|                    |        |
|--------------------|--------|
| Owner contribution | 26,000 |
|--------------------|--------|

|                          |       |
|--------------------------|-------|
| Net income for the month | 7,508 |
|--------------------------|-------|

|  |        |
|--|--------|
|  | 33,508 |
|--|--------|

|                  |         |
|------------------|---------|
| Owner withdrawal | (2,500) |
|------------------|---------|

|                              |           |
|------------------------------|-----------|
| Silk, Capital, July 31, 2017 | \$ 31,008 |
|------------------------------|-----------|

---

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

---

SARAH SILK, REGISTERED DIETICIAN  
Balance Sheet  
July 31, 2017

---

| Assets              |                  | Liabilities                          |                  |
|---------------------|------------------|--------------------------------------|------------------|
| Cash                | \$ 30,000        | Accounts Payable                     | \$ 3,400         |
| Accounts Receivable | 9,700            | Unearned Revenue                     | 5,192            |
| Office Supplies     | 2,200            | Notes Payable                        | 25,000           |
| Prepaid Insurance   | 2,700            | Total Liabilities                    | <u>\$ 33,592</u> |
| Equipment           | 20,000           |                                      |                  |
|                     |                  | Owner's Equity                       |                  |
|                     |                  | Silk, Capital                        | 31,008           |
| Total Assets        | <u>\$ 64,600</u> | Total Liabilities and Owner's Equity | <u>\$ 64,600</u> |

---

**Requirement 4**

Debt ratio = Total liabilities / Total assets = \$33,592 / \$64,600 = 0.52 = 52%

## Continuing Problem

P2-41

### Requirement 1

| Date   | Accounts and Explanation               | Posting Ref. | Debit  | Credit |
|--------|--|--------------|--------|--------|
| Dec. 2 | Cash<br>Daniels, Capital               |              | 20,000 | 20,000 |
| 2      | Rent Expense<br>Cash                   |              | 2,000  | 2,000  |
| 3      | Equipment<br>Cash                      |              | 3,600  | 3,600  |
| 4      | Furniture<br>Accounts Payable          |              | 3,000  | 3,000  |
| 5      | Office Supplies<br>Accounts Payable    |              | 800    | 800    |
| 9      | Accounts Receivable<br>Service Revenue |              | 2,500  | 2,500  |
| 12     | Utilities Expense<br>Cash              |              | 150    | 150    |
| 18     | Cash<br>Service Revenue                |              | 2,100  | 2,100  |
| 21     | Cash<br>Unearned Revenue               |              | 2,400  | 2,400  |
| 21     | <i>No entry needed</i>                 |              |        |        |
| 26     | Accounts Payable<br>Cash               |              | 200    | 200    |
| 28     | Cash<br>Accounts Receivable            |              | 400    | 400    |
| 30     | Daniels, Withdrawals<br>Cash           |              | 1,000  | 1,000  |

**P2-41, cont.**

**Requirements 2 and 3**

| Cash    |        |       |         |
|---------|--------|-------|---------|
| Dec. 2  | 20,000 | 2,000 | Dec. 2  |
| Dec. 18 | 2,100  | 3,600 | Dec. 3  |
| Dec. 21 | 2,400  | 150   | Dec. 12 |
| Dec. 28 | 400    | 200   | Dec. 26 |
|         |        | 1,000 | Dec. 30 |
| Balance | 17,950 |       |         |

| Accounts Receivable |       |     |         |
|---------------------|-------|-----|---------|
| Dec. 9              | 2,500 | 400 | Dec. 28 |
| Balance             | 2,100 |     |         |

| Office Supplies |     |  |
|-----------------|-----|--|
| Dec. 5          | 800 |  |
| Balance         | 800 |  |

| Equipment |       |  |
|-----------|-------|--|
| Dec. 3    | 3,600 |  |
| Balance   | 3,600 |  |

| Furniture |       |  |
|-----------|-------|--|
| Dec. 4    | 3,000 |  |
| Balance   | 3,000 |  |

| Accounts Payable |     |       |         |
|------------------|-----|-------|---------|
| Dec. 26          | 200 | 3,000 | Dec. 4  |
|                  |     | 800   | Dec. 5  |
|                  |     | 3,600 | Balance |

| Unearned Revenue |       |         |
|------------------|-------|---------|
|                  | 2,400 | Dec. 21 |
|                  | 2,400 | Balance |

| Daniels, Capital |        |         |
|------------------|--------|---------|
|                  | 20,000 | Dec. 2  |
|                  | 20,000 | Balance |

| Daniels, Withdrawals |       |  |
|----------------------|-------|--|
| Dec. 30              | 1,000 |  |
| Balance              | 1,000 |  |

| Service Revenue |       |         |
|-----------------|-------|---------|
|                 | 2,500 | Dec. 9  |
|                 | 2,100 | Dec. 18 |
|                 | 4,600 | Balance |

| Rent Expense |       |  |
|--------------|-------|--|
| Dec. 2       | 2,000 |  |
| Balance      | 2,000 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Dec. 12           | 150 |  |
| Balance           | 150 |  |

**P2-41, cont.****Requirement 4**

| DANIELS CONSULTING<br>Trial Balance<br>December 31, 2016 |                  |                  |
|--|------------------|------------------|
| Account Title  | Balance          |                  |
|  | Debit            | Credit           |
| Cash   | \$ 17,950        |                  |
| Accounts Receivable                                      | 2,100            |                  |
| Office Supplies  | 800              |                  |
| Equipment  | 3,600            |                  |
| Furniture  | 3,000            |                  |
| Accounts Payable   |                  | \$ 3,600         |
| Unearned Revenue   |                  | 2,400            |
| Daniels, Capital   |                  | 20,000           |
| Daniels, Withdrawals                                     | 1,000            |                  |
| Service Revenue  |                  | 4,600            |
| Rent Expense   | 2,000            |                  |
| Utilities Expense  | 150              |                  |
| Total  | <b>\$ 30,600</b> | <b>\$ 30,600</b> |
|  |                  |                  |

**Requirement 5**

| DANIELS CONSULTING<br>Income Statement<br>Month Ended December 31, 2016 |          |                 |
|---|----------|-----------------|
| Revenues:   |          |                 |
| Service Revenue   |          | \$ 4,600        |
| Expenses:   |          |                 |
| Rent Expense  | \$ 2,000 |                 |
| Utilities Expense   | 150      |                 |
| Total Expenses  |          | <u>2,150</u>    |
| Net Income  |          | <u>\$ 2,450</u> |

**P2-41, cont.**  
**Requirement 6**

| DANIELS CONSULTING<br>Statement of Owner's Equity<br>Month Ended December 31, 2016 |                  |
|--|------------------|
| Daniels, Capital, December 1, 2016   | \$ 0             |
| Owner contribution   | 20,000           |
| Net income for the month   | 2,450            |
|  | <u>22,450</u>    |
| Owner withdrawals  | (1,000)          |
| Daniels, Capital, December 31, 2016  | <u>\$ 21,450</u> |

**Requirement 7**

| DANIELS CONSULTING<br>Balance Sheet<br>December 31, 2016 |                  |                                      |  |                  |
|--|------------------|--------------------------------------|--|------------------|
| Assets   |                  | Liabilities                          |  |                  |
| Cash   | \$ 17,950        | Accounts Payable                     |  | \$ 3,600         |
| Accounts Receivable                                      | 2,100            | Unearned Revenue                     |  | <u>2,400</u>     |
| Office Supplies  | 800              | Total Liabilities                    |  | \$ 6,000         |
| Equipment  | 3,600            |                                      |  |                  |
| Furniture  | 3,000            |                                      |  |                  |
|  |                  | Owner's Equity                       |  |                  |
|  |                  | Daniels, Capital                     |  | <u>21,450</u>    |
| Total Assets   | <u>\$ 27,450</u> | Total Liabilities and Owner's Equity |  | <u>\$ 27,450</u> |

**Requirement 8**

Debt ratio = Total liabilities / Total assets = \$6,000 / \$27,450 = 0.22\* = 22%

\* rounded



## Practice Set

P2-42

### Requirement 1

| Date   | Accounts and Explanation | Posting Ref. | Debit  | Credit |
|--------|--------------------------|--------------|--------|--------|
| Nov. 1 | Cash                     |              | 35,000 |        |
|        | Truck                    |              | 7,000  |        |
|        | Habib, Capital           |              |        | 42,000 |
| 2      | Prepaid Rent             |              | 2,000  |        |
|        | Cash                     |              |        | 2,000  |
| 3      | Prepaid Insurance        |              | 1,800  |        |
|        | Cash                     |              |        | 1,800  |
| 4      | Cleaning Supplies        |              | 220    |        |
|        | Accounts Payable         |              |        | 220    |
| 5      | Equipment                |              | 2,000  |        |
|        | Accounts Payable         |              |        | 2,000  |
| 7      | Equipment                |              | 1,200  |        |
|        | Cash                     |              |        | 1,200  |
| 9      | Accounts Receivable      |              | 3,800  |        |
|        | Service Revenue          |              |        | 3,800  |
| 10     | Cash                     |              | 300    |        |
|        | Accounts Receivable      |              |        | 300    |
| 15     | Salaries Expense         |              | 350    |        |
|        | Cash                     |              |        | 350    |
| 16     | Cash                     |              | 12,000 |        |
|        | Unearned Revenue         |              |        | 12,000 |
| 17     | Cash                     |              | 1,000  |        |
|        | Service Revenue          |              |        | 1,000  |
| 18     | Utilities Expense        |              | 250    |        |
|        | Accounts Payable         |              |        | 250    |
| 20     | Cash                     |              | 96,000 |        |
|        | Notes Payable            |              |        | 96,000 |

**P2-42, cont.**

|         |                     |  |       |       |
|---------|---------------------|--|-------|-------|
| Nov. 21 | Cash                |  | 900   |       |
|         | Accounts Receivable |  |       | 900   |
| 25      | Accounts Payable    |  | 1,000 |       |
|         | Cash                |  |       | 1,000 |
| 29      | Advertising Expense |  | 500   |       |
|         | Cash                |  |       | 500   |
| 30      | Habib, Withdrawals  |  | 200   |       |
|         | Cash                |  |       | 200   |

**Requirements 2 and 3**

| Cash    |         |       |         |
|---------|---------|-------|---------|
| Nov. 1  | 35,000  | 2,000 | Nov. 2  |
| Nov. 10 | 300     | 1,800 | Nov. 3  |
| Nov. 16 | 12,000  | 1,200 | Nov. 7  |
| Nov. 17 | 1,000   | 350   | Nov. 15 |
| Nov. 20 | 96,000  | 1,000 | Nov. 25 |
| Nov. 21 | 900     | 500   | Nov. 29 |
|         |         | 200   | Nov. 30 |
| Balance | 138,150 |       |         |

| Accounts Payable |       |       |         |
|------------------|-------|-------|---------|
| Nov. 25          | 1,000 | 220   | Nov. 4  |
|                  |       | 2,000 | Nov. 5  |
|                  |       | 250   | Nov. 18 |
|                  |       | 1,470 | Balance |

| Accounts Receivable |       |     |         |
|---------------------|-------|-----|---------|
| Nov. 9              | 3,800 | 300 | Nov. 10 |
|                     |       | 900 | Nov. 21 |
| Balance             | 2,600 |     |         |

| Unearned Revenue |        |         |
|------------------|--------|---------|
|                  | 12,000 | Nov. 16 |
|                  | 12,000 | Balance |

| Cleaning Supplies |     |  |
|-------------------|-----|--|
| Nov. 4            | 220 |  |
| Balance           | 220 |  |

| Notes Payable |        |         |
|---------------|--------|---------|
|               | 96,000 | Nov. 20 |
|               | 96,000 | Balance |

| Prepaid Rent |       |  |
|--------------|-------|--|
| Nov. 2       | 2,000 |  |
| Balance      | 2,000 |  |

| Habib, Capital |        |         |
|----------------|--------|---------|
|                | 42,000 | Nov. 1  |
|                | 42,000 | Balance |

| Prepaid Insurance |       |  |
|-------------------|-------|--|
| Nov. 3            | 1,800 |  |
| Balance           | 1,800 |  |

| Habib, Withdrawals |     |  |
|--------------------|-----|--|
| Nov. 30            | 200 |  |
| Balance            | 200 |  |

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

| Equipment |       |  |
|-----------|-------|--|
| Nov. 5    | 2,000 |  |
| Nov. 7    | 1,200 |  |
| Balance   | 3,200 |  |

| Truck   |       |  |
|---------|-------|--|
| Nov. 1  | 7,000 |  |
| Balance | 7,000 |  |

| Service Revenue |       |         |
|-----------------|-------|---------|
|                 | 3,800 | Nov. 9  |
|                 | 1,000 | Nov. 17 |
|                 | 4,800 | Balance |

| Salaries Expense |     |  |
|------------------|-----|--|
| Nov. 15          | 350 |  |
| Balance          | 350 |  |

| Advertising Expense |     |  |
|---------------------|-----|--|
| Nov. 29             | 500 |  |
| Balance             | 500 |  |

| Utilities Expense |     |  |
|-------------------|-----|--|
| Nov. 18           | 250 |  |
| Balance           | 250 |  |

**Requirement 4**

| CRYSTAL CLEAR CLEANING<br>Trial Balance<br>November 30, 2017 |                   |                   |
|--|-------------------|-------------------|
| Account Title  | Balance           |                   |
|  | Debit             | Credit            |
| Cash   | \$ 138,150        |                   |
| Accounts Receivable  | 2,600             |                   |
| Cleaning Supplies  | 220               |                   |
| Prepaid Rent   | 2,000             |                   |
| Prepaid Insurance  | 1,800             |                   |
| Equipment  | 3,200             |                   |
| Truck  | 7,000             |                   |
| Accounts Payable   |                   | \$ 1,470          |
| Unearned Revenue   |                   | 12,000            |
| Notes Payable  |                   | 96,000            |
| Habib, Capital   |                   | 42,000            |
| Habib, Withdrawals   | 200               |                   |
| Service Revenue  |                   | 4,800             |
| Salaries Expense   | 350               |                   |
| Advertising Expense  | 500               |                   |
| Utilities Expense  | 250               |                   |
| Total  | <b>\$ 156,270</b> | <b>\$ 156,270</b> |
|  |                   |                   |

## Critical Thinking

---

### Decision Case 2-1 Requirements 1 and 2

| Cash |        |       |    |
|------|--------|-------|----|
| a.   | 10,000 | 300   | b. |
| f.   | 1,200  | 2,400 | d. |
| Bal. | 8,500  |       |    |

| Accounts Receivable |       |       |    |
|---------------------|-------|-------|----|
| e.                  | 8,800 | 1,200 | f. |
| Bal.                | 7,600 |       |    |

| Office Supplies |     |  |  |
|-----------------|-----|--|--|
| b.              | 300 |  |  |
| Bal.            | 300 |  |  |

| Accounts Payable |     |      |  |
|------------------|-----|------|--|
|                  | 700 | c.   |  |
|                  | 700 | Bal. |  |

| McChesney, Capital |        |      |  |
|--------------------|--------|------|--|
|                    | 10,000 | a.   |  |
|                    | 10,000 | Bal. |  |

| Service Revenue |       |      |  |
|-----------------|-------|------|--|
|                 | 8,800 | e.   |  |
|                 | 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<br>Trial Balance<br>June 30, 2016 |                  |                  |
|--|------------------|------------------|
| Account Title  | Balance          |                  |
|  | Debit            | Credit           |
| Cash   | \$ 8,500         |                  |
| Accounts Receivable                                      | 7,600            |                  |
| Office Supplies  | 300              |                  |
| Accounts Payable   |                  | \$ 700           |
| McChesney, Capital                                       |                  | 10,000           |
| Service Revenue  |                  | 8,800            |
| Salaries Expense   | 1,400            |                  |
| Rent Expense   | 1,000            |                  |
| Advertising Expense                                      | 700              |                  |
| Total  | <b>\$ 19,500</b> | <b>\$ 19,500</b> |
|  |                  |                  |

**Requirement 4**

---

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

---

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  
= \$7,034.4 (in millions) / \$11,516.7 (in millions)  
= 0.611\* = 61.1%  
\* rounded

**Requirement 2**

Starbucks debt ratio is significantly higher than Green Mountain (30.0%).

**Communication Activity 2-1**

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