

Chapter 2

Recording business transactions

Quick check

1. a
2. d
3. b
4. b
5. b
6. d
7. a
8. b
9. a
10. d

Starters

(10 min.) S2-1

Req. 1

1. G
2. A
3. E
4. D
5. C
6. I
7. F
8. B
9. J
10. H

(5 min.) S2-2**Req. 1**

Debits are *increases* for the following types of account:

- Assets
- Owners' drawings
- Expenses

Debits are *decreases* for these types of account:

- Liabilities
- Owners' capital
- Revenues

Req. 2

Credits are *increases* for these types of account:

- Liabilities
- Owners' capital
- Revenues

Credits are *decreases* for these types of account:

- Assets
- Owners' drawings
- Expenses

(5 min.) S2-3**Req. 1**

| Normal balance Debit or credit | |
|-----------------------------------|--------|
| Assets | Debit |
| Liabilities | Credit |
| Owners' equity overall | Credit |
| Capital | Credit |
| Drawings | Debit |
| Revenues | Credit |
| Expenses | Debit |

(5 min.) S2-4**Req. 1**

Step 1: Identify each account affected and its type.

Step 2: Determine whether each account is increased or decreased.

Step 3: Record the transaction in the journal.

| | Account | Type | Increase/ Decrease |
|----|---------------------|----------------|-----------------------|
| 5 | Accounts receivable | Asset | Increase |
| | Service revenue | Owners' equity | Increase |
| 28 | Cash | Asset | Increase |
| | Accounts receivable | Asset | Decrease |

(10 min.) S2-5**Req. 1**

| Journal | | | | |
|----------------|--------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Jan 1 | Cash | | 29 000 | |
| | Brown, capital | | | 29 000 |
| | Owner investment | | | |
| 2 | Medical supplies | | 14 000 | |
| | Accounts payable | | | 14 000 |
| | Purchased supplies on account. | | | |
| 2 | Rent expense | | 2 600 | |
| | Cash | | | 2 600 |
| | Paid office rent. | | | |
| 3 | Accounts receivable | | 8 000 | |
| | Service revenue | | | 8 000 |
| | Performed service on account. | | | |

(10 min.) S2-6**Req. 1**

| Journal | | | | |
|----------------|----|------------------------------------|---------------|-------------------|
| DATE | | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT CREDIT |
| Jan | 22 | Accounts receivable | | 10 000 |
| | | Service revenue | | 10 000 |
| | | Performed service on account. | | |
| | 30 | Cash | | 7 000 |
| | | Accounts receivable | | 7 000 |
| | | Received cash on account. | | |
| | 31 | Electricity and gas expense | | 180 |
| | | Accounts payable | | 180 |
| | | Received electricity and gas bill. | | |
| | 31 | Salary expense | | 1 000 |
| | | Cash | | 1 000 |
| | | Paid salary expense. | | |
| | 31 | Advertising expense | | 700 |
| | | Cash | | 700 |
| | | Paid advertising expense. | | |

(10–15 min.) S2-7**Req. 1**

| Journal | | | | |
|----------------|--|--------------------------------|---------------|-------------------|
| DATE | | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT CREDIT |
| 1. | | Supplies | | 3 400 |
| | | Accounts payable | | 3 400 |
| | | Purchased supplies on account. | | |
| 2. | | Accounts payable | | 1 700 |
| | | Cash (\$3 400 × 1/2) | | 1 700 |
| | | Paid on account. | | |

Req. 2

| Accounts payable | | | |
|------------------|-------|-----|-------|
| 2. | 1 700 | 1. | 3 400 |
| | | Bal | 1 700 |

(10–15 min.) S2-8

Req. 1

| Journal | | | | |
|---------|-------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| | Accounts receivable | | 16 000 | |
| | Service revenue | | | 16 000 |
| | Performed service on account. | | | |
| | Cash | | 9 600 | |
| | Accounts receivable | | | 9 600 |
| | Received cash on account. | | | |

Req. 2

| Cash | | Accounts receivable | | Service revenue | |
|-----------|--|---------------------|-------|-----------------|--------|
| 9 600 | | 16 000 | 9 600 | | 16 000 |
| Bal 9 600 | | Bal 6 400 | | Bal 16 000 | |

Req. 3

- a. Walja Creek earned: \$16 000 as Service revenue
- b.
- | | |
|---------------------|-----------------|
| Cash | \$9 600 |
| Accounts receivable | 6 400 |
| Total assets | <u>\$16 000</u> |

(10–15 min.) S2-9

| Cash | |
|------------|-------|
| 29 000 | 2 600 |
| Bal 26 400 | |

| Accounts receivable | |
|---------------------|--|
| 8 000 | |
| Bal 8 000 | |

| Medical supplies | |
|------------------|--|
| 14 000 | |
| Bal 14 000 | |

| Accounts payable | |
|------------------|--------|
| | 14 000 |
| Bal | 14 000 |

| Brown, capital | |
|----------------|--------|
| | 29 000 |
| Bal | 29 000 |

| Service revenue | |
|-----------------|-------|
| | 8 000 |
| Bal | 8 000 |

| Rent expense | |
|--------------|--|
| 2 600 | |
| Bal 2 600 | |

Req. 2

| NEVILLE BROWN, GP | | |
|----------------------------|-----------------|-----------------|
| Trial balance | | |
| as at 3 January 2016 | | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$26 400 | |
| Accounts receivable | 8 000 | |
| Medical supplies | 14 000 | |
| Accounts payable | | \$14 000 |
| Neville Brown, GP, capital | | 29 000 |
| Service revenue | | 8 000 |
| Rent expense | 2 600 | |
| Total | <u>\$51 000</u> | <u>\$51 000</u> |

(10 min.) S2-10**Req. 1**

| OAKLAND FLOOR COVERINGS Trial balance as at 31 December 2015 | | |
|--|-----------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$12 000 | |
| Equipment | 45 000 | |
| Accounts payable | | \$ 2 000 |
| Other liabilities | | 18 000 |
| Oakland, capital | | 22 000 |
| Revenues | | 34 000 |
| Expenses | <u>19 000</u> | <u> </u> |
| Total | <u>\$76 000</u> | <u>\$76 000</u> |

(10 min.) S2-11**Req. 1**

| BRENDA LONGVAL SUPPLIES Incorrect trial balance 30 April 2015 | | |
|---|-----------------|-------------------|
| | BALANCE | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$18 000 | |
| Accounts receivable | 1 000 | |
| Office supplies | 500 | |
| Land | 14 000 | |
| Accounts payable | | \$ 400 |
| Brenda Longval, capital | 30 600* | |
| Brenda Longval, drawings | 3 000 | |
| Service revenue | | 8 800 |
| Rent expense, computer | 700 | |
| Rent expense, office | 900 | |
| Salary expense | 1 100 | |
| Electricity and gas expense | <u>600</u> | <u> </u> |
| Total | <u>\$70 400</u> | <u>\$9 200</u> |

(continued) S2-11

To correct this error:

1. Take the difference between total debits and total credits:
 $\$70\,400 - \$9\,200 = \$61\,200$
2. Divide the error by 2:
 $\$61\,200 / 2 = \$30\,600$
3. Locate \$30 600 on the trial balance. The Lee capital account should have a credit balance.

(10 min.) S2-12**Req. 1**

| FRANCIS NANGLE TRAVEL DESIGN Incorrect trial balance as at 31 January 2015 | | | |
|--|-----------------|-----------------|--|
| | | BALANCE | |
| ACCOUNT | DEBIT | CREDIT | |
| Cash | \$20 000 | | |
| Accounts receivable | 1 000 | | |
| Office supplies | 500 | | |
| Land | 12 000 | | |
| Accounts payable | | \$ 100 | |
| Francis Nangle, capital | | 31 000 | |
| Francis Nangle, drawings | 300* | | |
| Service revenue | | 8 700 | |
| Rent expense, computer | 700 | | |
| Rent expense, office | 1 200 | | |
| Salary expense | 1 200 | | |
| Electricity and gas expense | <u>200</u> | | |
| Total | <u>\$37 100</u> | <u>\$39 800</u> | |

*Incorrect; should be listed as \$3 000.

(continued) S2-12

To correct this error:

1. Take the difference between total debits and total credits:
 $\$37\,100 - \$39\,800 = \$2\,700$
2. Divide the error by 9:
 $\$2\,700 \div 9 = \300
3. Locate \$300 on the trial balance. The Francis Nangle, drawing account holds the error. Trace the Francis Nangle, drawing balance back to the ledger account, which shows the correct amount, \$3 000.

(10–15 min.) E2-3**Req. 1**

| | | | | |
|--------------|---|---------------|---|----------------|
| ASSETS | = | LIABILITIES | + | OWNERS' EQUITY |
| <i>Debit</i> | | <i>Credit</i> | | <i>Credit</i> |
| \$490 000 | = | \$360 000 | + | \$130 000 |

Req. 2

| | | | | |
|---------------|---|--------------|---|---------------|
| REVENUES | – | EXPENSES | = | PROFIT (loss) |
| \$380 000 | – | \$350 000 | = | \$30 000 |
| <i>Credit</i> | | <i>Debit</i> | | <i>Credit</i> |

PROFIT represents a net *credit* because revenues (*credits*) exceed expenses (*debits*).

A LOSS would be a net *debit* because expenses (*debits*) would exceed revenues (*credits*).

(10–15 min.) E2-4**Req. 1**

| Journal | | | | |
|---------|-----------------------------|--------|--------|--|
| DATE | ACCOUNTS AND EXPLANATIONS | DEBIT | CREDIT | |
| Jul 2 | Electricity and gas expense | 350 | | |
| | Cash | | 350 | |
| 5 | Equipment | 2 300 | | |
| | Accounts payable | | 2 300 | |
| 10 | Accounts receivable | 3 000 | | |
| | Service revenue | | 3 000 | |
| 12 | Cash | 8 500 | | |
| | Loan payable | | 8 500 | |
| 19 | Cash | 30 000 | | |
| | Land | | 30 000 | |
| 21 | Supplies | 700 | | |
| | Cash | | 700 | |
| 27 | Accounts payable | 2 300 | | |
| | Cash | | 2 300 | |

(20–30 min.) E2-5**Req. 1**

| | | |
|-----|----|---|
| May | 1 | Owners' investment |
| | 2 | Purchased supplies on account (on credit) |
| | 4 | Paid cash for building |
| | 6 | Performed services for cash |
| | 9 | Payment on account |
| | 17 | Performed services on account |
| | 23 | Received payment on account |
| | 31 | Payment of expenses |

Reqs. 2 and 3

| Cash | | 110 |
|------|----|--------|
| May | 1 | 75 000 |
| | 6 | 2 600 |
| | 23 | 1 900 |
| May | 31 | 24 100 |

| Accounts receivable | | 120 |
|---------------------|----|-------|
| May | 17 | 2 500 |
| May | 31 | 600 |
| May | 23 | 1 900 |

| Supplies | | 130 |
|----------|----|-----|
| May | 2 | 500 |
| May | 31 | 500 |

| Building | | 140 |
|----------|----|--------|
| May | 4 | 53 000 |
| May | 31 | 53 000 |

| Accounts payable | | 210 |
|------------------|----|-----|
| May | 9 | 400 |
| May | 2 | 500 |
| | 31 | 100 |

| Ward, capital | | 310 |
|---------------|-----|--------|
| | May | 1 |
| | | 75 000 |
| | May | 31 |
| | | 75 000 |

| Service revenue | | 410 |
|-----------------|-----|-------|
| | May | 6 |
| | | 2 600 |
| | | 17 |
| | | 2 500 |
| | May | 31 |
| | | 5 100 |

| Rent expense | | 510 |
|--------------|----|-----|
| May | 31 | 900 |
| May | 31 | 900 |

| Salary expense | | 520 |
|----------------|----|-------|
| May | 31 | 1 100 |
| May | 31 | 1 100 |

Req. 4

| WARD TECHNOLOGY SOLUTIONS Trial balance as at 31 May 2016 | | |
|---|-----------------|-----------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$24 100 | |
| Accounts receivable | 600 | |
| Supplies | 500 | |
| Building | 53 000 | |
| Accounts payable | | \$ 100 |
| Ward, capital | | 75 000 |
| Service revenue | | 5 100 |
| Rent expense | 900 | |
| Salary expense | 1 100 | |
| Total | <u>\$80 200</u> | <u>\$80 200</u> |

Req. 4

| WARD TECHNOLOGY SOLUTIONS Trial balance as at 31 May 2016 | | |
|---|------------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$44 100 | |
| Accounts receivable | 600 | |
| Supplies | 500 | |
| Building | 53 000 | |
| Accounts payable | | \$ 100 |
| Ward, capital | | 95 000 |
| Service revenue | | 5 100 |
| Rent expense | 1 100 | |
| Salary expense | <u>900</u> | <u> </u> |
| Total | <u>\$100 200</u> | <u>\$100 200</u> |

(20–30 min.) E2-6**Req. 1****Req. 2**

| | Effect on trial balance | Account | Amount | Direction of error |
|----|------------------------------|-----------------------------|---------|--------------------|
| a. | Total debits > Total credits | Loan payable | \$7 000 | Too low |
| b. | Total debits > Total credits | Electricity and gas expense | 810 | Too high |
| c. | Total debits = Total credits | Furniture | 800 | Too high |
| | | Accounts payable | 800 | Too high |
| d. | Total debits > Total credits | Cash | 1 080 | Too high |
| e. | Total debits = Total credits | Supplies | 90 | Too low |
| | | Accounts payable | 90 | Too low |

Journal

| DATE | ACCOUNTS AND EXPLANATIONS | DEBIT | CREDIT |
|-------|-----------------------------|--------|--------|
| Jul 2 | Electricity and gas expense | 350 | |
| | Cash | | 350 |
| 5 | Equipment | 2 300 | |
| | Accounts payable | | 2 300 |
| 10 | Accounts receivable | 3 000 | |
| | Service revenue | | 3 000 |
| 12 | Cash | 8 500 | |
| | Loan payable | | 8 500 |
| 19 | Cash | 30 000 | |
| | Land | | 30 000 |
| 21 | Supplies | 700 | |
| | Cash | | 700 |
| 27 | Accounts payable | 2 300 | |
| | Cash | | 2 300 |

(15–25 min.) E2-7**Reqs. 1 and 2**

| Cash | | | |
|--------|--------|-------|-------|
| Jul 1 | 4 000 | Jul 2 | 350 |
| 12 | 8 500 | 21 | 700 |
| 19 | 30 000 | 27 | 2 300 |
| Jul 31 | 39 150 | | |

| Accounts receivable | | |
|---------------------|-------|--|
| Jul 10 | 3 000 | |
| Jul 31 | 3 000 | |

| Supplies | | |
|----------|-----|--|
| Jul 21 | 700 | |
| Jul 31 | 700 | |

| Equipment | | |
|-----------|-------|--|
| Jul 5 | 2 300 | |
| Jul 31 | 2 300 | |

| Land | | | |
|--------|--------|--------|--------|
| Jul 1 | 30 000 | Jul 19 | 30 000 |
| Jul 31 | 0 | | |

| Accounts payable | | | |
|------------------|-------|--------|-------|
| Jul 27 | 2 300 | Jul 5 | 2 300 |
| | | Jul 31 | 0 |

| Loan payable | | |
|--------------|--------|-------|
| | Jul 12 | 8 500 |
| | Jul 31 | 8 500 |

| Wang capital | | |
|--------------|--------|--------|
| | Jul 1 | 34 000 |
| | Jul 31 | 34 000 |

| Service revenue | | |
|-----------------|--------|-------|
| | Jul 10 | 3 000 |
| | Jul 31 | 3 000 |

| Electricity and gas expense | | |
|-----------------------------|-----|--|
| Jul 2 | 350 | |
| Jul 31 | 350 | |

(continued) E2-7**Req. 3**

| KANGAROO POINT SERVICES | | | |
|-----------------------------|-----------------|-----------------|--|
| Trial balance | | | |
| as at 31 July 2016 | | | |
| ACCOUNT | DEBIT | CREDIT | |
| Cash | \$39 150 | | |
| Accounts receivable | 3 000 | | |
| Supplies | 700 | | |
| Equipment | 2 300 | | |
| Loan payable | | \$ 8 500 | |
| Wang, capital | | 34 000 | |
| Service revenue | | 3 000 | |
| Electricity and gas expense | 350 | | |
| Total | <u>\$45 500</u> | <u>\$45 500</u> | |

(10 min.) E2-8**Req. 1**

| Journal | | | | |
|---------|-------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| 1. | Cash | | 55 000 | |
| | Kara, capital | | | 55 000 |
| | Owners' investment. | | | |
| 2. | Supplies | | 800 | |
| | Accounts payable | | | 800 |
| | Purchased supplies on credit. | | | |
| 3. | Building | | 40 000 | |
| | Cash | | | 40 000 |
| | Paid cash for building. | | | |
| 4. | Cash | | 50 000 | |
| | Loan payable | | | 50 000 |
| | Borrowed money. | | | |
| 5. | Equipment | | 4 700 | |
| | Cash | | | 4 700 |
| | Paid cash for equipment. | | | |

(continued) E2-8**Req. 2**

| KARA ASSOCIATES | | |
|------------------|------------------|------------------|
| Trial balance | | |
| 30 June 2016 | | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 60 300 | |
| Supplies | 800 | |
| Equipment | 4 700 | |
| Building | 40 000 | |
| Accounts payable | | \$ 800 |
| Loan payable | | 50 000 |
| Kara, capital | | <u>55 000</u> |
| Total | <u>\$105 800</u> | <u>\$105 800</u> |

(10 min.) E2-9**Req. 1**

Harry Bloggs' transaction:

| Journal | | | | |
|---------|---------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| | Repair expense | | 598.41 | |
| | Cash | | | 598.41 |
| | Paid repair bill. | | | |

Req. 2

Advanced Automotive's transaction:

| Journal | | | | |
|---------|-------------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| | Cash | | 598.41 | |
| | Service revenue | | | 598.41 |
| | Performed service and received cash | | | |

(20-25 min.) E 2-10**Reqs 1 and 2**

| Journal | | | | |
|----------------|---------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| a. | Cash | | 15 000 | |
| | Office furniture | | 4 000 | |
| | Theresa Parker, capital | | | 19 000 |
| b. | Rent expense | | 1 500 | |
| | Cash | | | 1 500 |
| c. | Office supplies | | 900 | |
| | Accounts payable | | | 900 |
| d. | Salary expense | | 1 800 | |
| | Cash | | | 1 800 |
| e. | Accounts payable | | 700 | |
| | Cash | | | 700 |
| f. | Accounts receivable | | 6 000 | |
| | Service revenue | | | 6 000 |
| g. | Theresa Parker, drawings | | 7 000 | |
| | Cash | | | 7 000 |

Reqs 1 and 1

| ACCOUNT | | CASH | | ACCOUNT NO. | |
|---------|------|-----------|--------|-------------|--------------|
| | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT CREDIT |
| a. | | | 15 000 | | 15 000 |
| b. | | | | 1 500 | 13 500 |
| d. | | | | 1 800 | 11 700 |
| e. | | | | 700 | 11 000 |
| g. | | | | 7 000 | 4 000 |

(continued) E 2-10

| ACCOUNT | | ACCOUNTS RECEIVABLE | | | ACCOUNT NO. | |
|---------|------|---------------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| f. | | | 6 000 | | 6 000 | |

| ACCOUNT | | Office supplies | | | ACCOUNT NO. | |
|---------|------|-----------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| c. | | | 900 | | 900 | |

| ACCOUNT | | Office furniture | | | ACCOUNT NO. | |
|---------|------|------------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| a. | | | 4 000 | | 4 000 | |

| ACCOUNT | | Accounts payable | | | ACCOUNT NO. | |
|---------|------|------------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| c. | | | | 900 | | 900 |
| e. | | | 700 | | | 200 |

| ACCOUNT | | Stark, capital | | | ACCOUNT NO. | |
|---------|------|----------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| a. | | | | 19 000 | | 19 000 |

| ACCOUNT | | Parker, drawings | | | ACCOUNT NO. | |
|---------|------|------------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| g. | | | 7 000 | | 7 000 | |

(continued) E 2-10

| ACCOUNT | | Service revenue | | | ACCOUNT NO. | |
|---------|------|-----------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| f. | | | | 6 000 | | 6 000 |

| ACCOUNT | | Salary expense | | | ACCOUNT NO. | |
|---------|------|----------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| d. | | | 1 800 | | 1 800 | |

| ACCOUNT | | Rent expense | | | ACCOUNT NO. | |
|---------|------|--------------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| b. | | | 1 500 | | 1 500 | |

Req. 3

| Theresa Parker, Accountant | | | |
|----------------------------|--|----------|----------|
| Trial balance | | | |
| 30 June 2016 | | | |
| ACCOUNT | | DEBIT | CREDIT |
| Cash | | \$ 4 000 | |
| Accounts receivable | | 6 000 | |
| Office supplies | | 900 | |
| Office furniture | | 4 000 | |
| Accounts payable | | | \$ 200 |
| Stark, capital | | | 19 000 |
| Stark, drawings | | 7 000 | |
| Service revenue | | | 6 000 |
| Salary expense | | 1 800 | |
| Rent expense | | 1 500 | |
| Total | | \$25 200 | \$25 200 |

(10–20 min.) E2-11**Req. 1**

| Journal | | | | |
|----------------|--------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Aug 1 | Cash | | 48 000 | |
| | Principe, capital | | | 48 000 |
| | Owners' investment | | | |
| | | | | |
| 2 | Supplies | | 500 | |
| | Accounts payable | | | 500 |
| | Purchased supplies on account. | | | |
| | | | | |
| 4 | Building | | 47 000 | |
| | Cash | | | 47 000 |
| | Paid cash for a building. | | | |
| | | | | |
| 6 | Cash | | 4 400 | |
| | Service revenue | | | 4 400 |
| | Performed service for cash. | | | |
| | | | | |
| 9 | Accounts payable | | 200 | |
| | Cash | | | 200 |
| | Paid cash on account. | | | |
| | | | | |
| 17 | Accounts receivable | | 2 200 | |
| | Service revenue | | | 2 200 |
| | Performed service on account. | | | |
| | | | | |
| 23 | Cash | | 1 600 | |
| | Accounts receivable | | | 1 600 |
| | Received cash on account. | | | |
| | | | | |
| 31 | Salary expense | | 1 900 | |
| | Rent expense | | 700 | |
| | Cash | | | 2 600 |
| | Paid expenses. | | | |

(15–20 min.) E2-12**Req. 1**

Cash

| | | | |
|--------|--------|-------|--------|
| Aug 1 | 48 000 | Aug 4 | 47 000 |
| 6 | 4 400 | 9 | 200 |
| 23 | 1 600 | 31 | 2 600 |
| Aug 31 | 4 200 | | |

Accounts receivable

| | | | |
|--------|-------|--------|-------|
| Aug 17 | 2 200 | Aug 23 | 1 600 |
| Aug 31 | 600 | | |

Supplies

| | | | |
|--------|-----|--|--|
| Aug 2 | 500 | | |
| Aug 31 | 500 | | |

Building

| | | | |
|--------|--------|--|--|
| Aug 4 | 47 000 | | |
| Aug 31 | 47 000 | | |

Accounts payable

| | | | |
|-------|-----|--------|-----|
| Aug 9 | 200 | Aug 2 | 500 |
| | | Aug 31 | 300 |

Principe, capital

| | | | |
|--|--|--------|--------|
| | | Aug 1 | 48 000 |
| | | Aug 31 | 48 000 |

Service revenue

| | | |
|--|--------|-------|
| | Aug 6 | 4 400 |
| | 17 | 2 200 |
| | Aug 31 | 6 600 |

Salary expense

| | | |
|--------|-------|--|
| Aug 31 | 1 900 | |
| Aug 31 | 1 900 | |

Rent expense

| | | |
|--------|-----|--|
| Aug 31 | 700 | |
| Aug 31 | 700 | |

(continued) E2-12**Req. 2**

| PRINCIPE TECHNOLOGY SOLUTIONS Trial balance as at 31 August 2016 | | |
|--|-----------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$4 200 | |
| Accounts receivable | 600 | |
| Supplies | 500 | |
| Building | 47 000 | |
| Accounts payable | | \$ 300 |
| Principe, capital | | 48 000 |
| Service revenue | | 6 600 |
| Salary expense | 1 900 | |
| Rent expense | <u>700</u> | <u> </u> |
| Total | <u>\$54 900</u> | <u>\$54 900</u> |

(10 min.) E2-13**Req. 1**

| NUNDLE SIGNS Trial balance as at 30 June 2016 | | |
|---|------------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 4 000 | |
| Accounts receivable | 9 800 | |
| Supplies | 300 | |
| Trucks | 130 000 | |
| Building | 48 000 | |
| Accounts payable | | \$ 5 000 |
| Loan payable | | 54 000 |
| Nundle, capital | | 70 000 |
| Nundle, drawings | 5 400 | |
| Service revenue | | 90 000 |
| Salary expense | 17 000 | |
| Fuel expense | 3 000 | |
| Insurance expense | 600 | |
| Electricity and gas expense | 500 | |
| Supplies expense | <u>400</u> | <u> </u> |
| Total | <u>\$219 000</u> | <u>\$219 000</u> |

(15–20 min.) E2-14**Req. 1**

| JOY MCDOWELL TUTORING SERVICE Trial balance as at 31 May 2016 | | |
|---|-----------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 3 500* | |
| Accounts receivable | 1 500* | |
| Supplies | 600 | |
| Computer equipment | 25 800 | |
| Accounts payable | | \$12 700* |
| McDowell, capital | | 12 200* |
| Service revenue | | 9 800 |
| Salary expense | 1 700 | |
| Rent expense | 700 | |
| Electricity and gas expense | <u>900*</u> | <u> </u> |
| Total | <u>\$34 700</u> | <u>\$34 700</u> |

*Calculations:

| | |
|-----------------------------|---|
| Cash | $\$3\,000 + \$500 = \$3\,500$ |
| Accounts receivable: | $\$2\,000 - \$500 = \$1\,500$ |
| Accounts payable | $\$11\,400 + \$900 + \$400 = \$12\,700$ |
| McDowell, capital | $\$11\,600 + \$600 = \$12\,200$ |
| Electricity and gas expense | $\$500 + \$400 = \$900$ |

Problems**(10–15 min.) P2-1****Req. 1****Req. 2**

| Account | Account type | Normal balance |
|------------------|--------------|----------------|
| Cash | Asset | Debit |
| Supplies | Asset | Debit |
| Building | Asset | Debit |
| Accounts payable | Liability | Credit |
| Loan payable | Liability | Credit |
| Janda, capital | Equity | Credit |
| Janda, drawings | Equity | Debit |
| Service revenue | Revenue | Credit |
| Salary expense | Expense | Debit |
| Rent expense | Expense | Debit |
| Rates expense | Expense | Debit |

(40–50 min.) P2-2**Req. 1**

| Journal | | | | |
|----------------|---------------------------|---------------|---------|---------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Sep 1 | Cash | | 400 000 | |
| | Janda capital | | | 400 000 |
| 2 | Depot building | | 360 000 | |
| | Cash | | | 360 000 |
| 5 | Cash | | 260 000 | |
| | Loan payable | | | 260 000 |
| 10 | Supplies | | 1 400 | |
| | Accounts payable | | | 1 400 |
| 15 | Accounts payable | | 1 200 | |
| | Cash | | | 1 200 |
| 15 | Rates expense | | 2 000 | |
| | Cash | | | 2 000 |
| 16 | Salary expense | | 3 000 | |
| | Rent expense | | 1 500 | |
| | Cash | | | 4 500 |
| 28 | Janda, drawings | | 8 000 | |
| | Cash | | | 8 000 |
| 30 | Cash | | 25 000 | |
| | Service revenue | | | 25 000 |

(continued) P2-2**Req. 2**

| Cash | | | |
|-------|---------|-------|---------|
| Sep 1 | 400 000 | Sep 2 | 360 000 |
| 5 | 260 000 | 15 | 1 200 |
| 30 | 25 000 | 15 | 2 000 |
| | | 16 | 4 500 |
| | | 28 | 8 000 |
| Bal | 309 300 | | |

| Accounts payable | | | |
|------------------|-------|--------|-------|
| Sep 15 | 1 200 | Sep 10 | 1 400 |
| | | Bal | 200 |

| Loan payable | | | |
|--------------|--|-------|---------|
| | | Sep 5 | 260 000 |
| | | Bal | 260 000 |

| Supplies | | |
|----------|-------|--|
| Sep 10 | 1 400 | |
| Bal | 1 400 | |

| Janda, capital | | |
|----------------|-------|---------|
| | Sep 1 | 400 000 |
| | Bal | 400 000 |

| Depot building | | |
|----------------|---------|--|
| Sep 2 | 360 000 | |
| Bal | 360 000 | |

| Service revenue | | |
|-----------------|--------|--------|
| | Sep 30 | 25 000 |
| | Bal | 25 000 |

| Janda, drawings | | |
|-----------------|-------|--|
| Sep 28 | 8 000 | |
| Bal | 8 000 | |

| Salary expense | | |
|----------------|-------|--|
| Sep 6 | 3 000 | |
| Bal | 3 000 | |

| Rates expense | | |
|---------------|-------|--|
| Sep 15 | 2 000 | |
| Bal | 2 000 | |

| Rent expense | | |
|--------------|-------|--|
| Sep 16 | 1 500 | |
| Bal | 1 500 | |

(45-60 min.) P2-3

| Journal | | | | |
|----------------|-----------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Jul 1 | Cash | | 68 000 | |
| | Yung, capital | | | 68 000 |
| 5 | Rent expense—equipment | | 560 | |
| | Cash | | | 560 |
| 9 | Land | | 16 000 | |
| | Cash | | | 16 000 |
| 10 | Supplies | | 1 600 | |
| | Accounts payable | | | 1 600 |
| 19 | Cash | | 23 000 | |
| | Loan payable | | | 23 000 |
| 22 | Accounts payable | | 1 300 | |
| | Cash | | | 1 300 |
| 31 | Cash | | 6 500 | |
| | Accounts receivable | | 5 800 | |
| | Service revenue | | | 12 300 |
| 31 | Salary expense | | 2 500 | |
| | Rent expense—office | | 1 100 | |
| | Electricity and gas expense | | 400 | |
| | Cash | | | 4 000 |
| 31 | Yung, drawings | | 7 000 | |
| | Cash | | | 7 000 |

(continued) P2-3**Req. 2**

| Cash | | | | | |
|------|----|--------|-----|----|--------|
| Jul | 1 | 68 000 | Jul | 5 | 560 |
| | 19 | 23 000 | | 9 | 16 000 |
| | 31 | 6 500 | | 22 | 1 300 |
| | | | | 31 | 4 000 |
| | | | | 31 | 7 000 |
| Bal | | 68 640 | | | |

| Accounts receivable | | | |
|---------------------|-------|--|--|
| Jul 31 | 5 800 | | |
| Bal | 5 800 | | |

| Supplies | | | |
|----------|-------|--|--|
| Jul 10 | 1 600 | | |
| Bal | 1 600 | | |

| Land | | | |
|-------|--------|--|--|
| Jul 9 | 16 000 | | |
| Bal | 16 000 | | |

| Accounts payable | | | |
|------------------|-------|---------|-------|
| Jul 22 | 1 300 | July 10 | 1 600 |
| | | Bal | 300 |

| Loan payable | | | |
|--------------|--------|--------|--|
| | Jul 19 | 23 000 | |
| | Bal | 23 000 | |

| Yung, capital | | | |
|---------------|-------|--------|--|
| | Jul 1 | 68 000 | |
| | Bal | 68 000 | |

| Yung, drawings | | | |
|----------------|-------|--|--|
| Jul 31 | 7 000 | | |
| Bal | 7 000 | | |

| Service revenue | | | |
|-----------------|--------|--------|--|
| | Jul 31 | 12 300 | |
| | Bal | 12 300 | |

| Rent expense—equipment | | | |
|------------------------|-----|--|--|
| Jul 5 | 560 | | |
| Bal | 560 | | |

| Rent expense—office | | | |
|---------------------|-------|--|--|
| Jul 31 | 1 100 | | |
| Bal | 1 100 | | |

| Salary expense | | | |
|----------------|-------|--|--|
| Jul 31 | 2 500 | | |
| Bal | 2 500 | | |

| Electricity and gas expense | | | |
|-----------------------------|-----|--|--|
| Jul 31 | 400 | | |
| Bal | 400 | | |

(continued) P2-3**Req. 3**

| VERNON YUNG, GP Trial balance as at 31 July 2016 | | |
|--|------------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 68 640 | |
| Accounts receivable | 5 800 | |
| Supplies | 1 600 | |
| Land | 16 000 | |
| Accounts payable | | \$ 300 |
| Loan payable | | 23 000 |
| Vernon Yung, GP, capital | | 68 000 |
| Vernon Yung, GP, drawings | 7 000 | |
| Service revenue | | 12 300 |
| Salary expense | 2 500 | |
| Rent expense—office | 1 100 | |
| Rent expense—equipment | 560 | |
| Electricity and gas expense | <u>400</u> | <u> </u> |
| Total | <u>\$103 600</u> | <u>\$103 600</u> |

(45–60 min.) P2-4**Req. 2**

| Journal | | | | |
|----------------|---------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Sep 1 | Cash | | 42 000 | |
| | Doris Stewart, capital | | | 42 000 |
| 4 | Supplies | | 700 | |
| | Furniture | | 1 900 | |
| | Accounts payable | | | 2 600 |
| 6 | Cash | | 1 400 | |
| | Service revenue | | | 1 400 |
| 7 | Land | | 24 000 | |
| | Cash | | | 24 000 |
| 10 | Accounts receivable | | 1 000 | |
| | Service revenue | | | 1 000 |
| 14 | Accounts payable | | 1 900 | |
| | Cash | | | 1 900 |
| 15 | Salary expense | | 490 | |
| | Cash | | | 490 |
| 17 | Cash | | 400 | |
| | Accounts receivable | | | 400 |
| 20 | Accounts receivable | | 700 | |
| | Service revenue | | | 700 |
| 28 | Cash | | 2 100 | |
| | Service revenue | | | 2 100 |
| 30 | Salary expense | | 490 | |
| | Cash | | | 490 |
| 30 | Rent expense | | 650 | |
| | Cash | | | 650 |
| 30 | Doris Stewart, drawings | | 3 000 | |
| | Cash | | | 3 000 |

(continued) P2-4**Reqs. 1 and 3**

| Cash | | | |
|-------|--------|--------|--------|
| Sep 1 | 42 000 | Sep. 7 | 24 000 |
| 6 | 1 400 | 14 | 1 900 |
| 17 | 400 | 15 | 490 |
| 28 | 2 100 | 30 | 490 |
| | | 30 | 650 |
| | | 30 | 3 000 |
| Bal | 15 370 | | |

| Accounts receivable | | | |
|---------------------|-------|---------|-----|
| Sep 10 | 1 000 | Sep. 17 | 400 |
| Sep 20 | 700 | | |
| Bal | 1 300 | | |
| Supplies | | | |
| Sep 4 | 700 | | |
| Bal | 700 | | |

| Furniture | |
|-----------|-------|
| Sep 4 | 1 900 |
| Bal | 1 900 |

| Land | |
|-------|--------|
| Sep 7 | 24 000 |
| Bal | 24 000 |

| Accounts payable | | | |
|------------------|-------|-------|-------|
| Sep 14 | 1 900 | Sep 4 | 2 600 |
| | | Bal | 700 |

| Doris Stewart, capital | | | |
|------------------------|-------|--------|--|
| | Sep 1 | 42 000 | |
| | Bal | 42 000 | |

| Doris Stewart, drawings | |
|-------------------------|-------|
| Sep 30 | 3 000 |
| Bal | 3 000 |

| Service revenue | | | |
|-----------------|-------|-------|--|
| | Sep 6 | 1 400 | |
| | 10 | 1 000 | |
| | 20 | 700 | |
| | 28 | 2 100 | |
| | Bal | 5 200 | |

| Salary expense | |
|----------------|-----|
| Sep 15 | 490 |
| 30 | 490 |
| Bal | 980 |

| Rent expense | |
|--------------|-----|
| Sep 30 | 650 |
| Bal | 650 |

(continued) P2-4**Req. 4**

| DORIS STEWART, DESIGNER Trial balance as at 30 September 2016 | | |
|---|-----------------|-----------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 15 370 | |
| Accounts receivable | 1 300 | |
| Supplies | 700 | |
| Furniture | 1 900 | |
| Land | 24 000 | |
| Accounts payable | | \$ 700 |
| Doris Stewart, capital | | 42 000 |
| Doris Stewart, drawings | 3 000 | |
| Service revenue | | 5 200 |
| Salary expense | 980 | |
| Rent expense | <u>650</u> | <u> </u> |
| Total | <u>\$47 900</u> | <u>\$47 900</u> |

(45–60 min.) P2-5**Req. 2**

| Journal | | | | |
|----------------|---------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Sep 2 | Cash | | 39 000 | |
| | Trevor Moore, capital | | | 39 000 |
| 3 | Supplies | | 600 | |
| | Furniture | | 2 000 | |
| | Accounts payable | | | 2 600 |
| 4 | Cash | | 1 300 | |
| | Service revenue | | | 1 300 |
| 7 | Land | | 26 000 | |
| | Cash | | | 26 000 |
| 11 | Accounts receivable | | 700 | |
| | Service revenue | | | 700 |
| 15 | Salary expense | | 590 | |
| | Cash | | | 590 |
| 16 | Accounts payable | | 600 | |
| | Cash | | | 600 |
| 18 | Cash | | 2 400 | |
| | Service revenue | | | 2 400 |
| 19 | Accounts receivable | | 800 | |
| | Service revenue | | | 800 |
| 29 | Cash | | 700 | |
| | Accounts receivable | | | 700 |
| 30 | Salary expense | | 590 | |
| | Cash | | | 590 |
| 30 | Rent expense | | 670 | |
| | Cash | | | 670 |
| 30 | Trevor Moore, drawings | | 2 400 | |
| | Cash | | | 2 400 |

(continued) P2-5**Reqs. 1 and 3**

| Cash | | | |
|-------|--------|-------|--------|
| Sep 2 | 39 000 | Sep 7 | 26 000 |
| 4 | 1 300 | 15 | 590 |
| 18 | 2 400 | 16 | 600 |
| 29 | 700 | 30 | 590 |
| | | 30 | 670 |
| | | 30 | 2 400 |
| Bal | 12 550 | | |

| Accounts receivable | | | |
|---------------------|-----|--------|-----|
| Sep 11 | 700 | Sep 29 | 700 |
| 19 | 800 | | |
| Bal | 800 | | |
| Supplies | | | |
| Sep 3 | 600 | | |
| Bal | 600 | | |

| Furniture | |
|-----------|-------|
| Sep 3 | 2 000 |
| Bal | 2 000 |

| Land | |
|-------|--------|
| Sep 7 | 26 000 |
| Bal | 26 000 |

| Accounts payable | | | |
|------------------|-----|-------|-------|
| Sep 16 | 600 | Sep 3 | 2 600 |
| | | Bal | 2 000 |

| Trevor Moore, capital | | | |
|-----------------------|--|-------|--------|
| | | Sep 2 | 39 000 |
| | | Bal | 39 000 |

| Trevor Moore, drawings | |
|------------------------|-------|
| Sep 30 | 2 400 |
| Bal | 2 400 |

| Service revenue | | | |
|-----------------|-------|--|-------|
| | Sep 4 | | 1 300 |
| | 11 | | 700 |
| | 18 | | 2 400 |
| | 19 | | 800 |
| | Bal | | 5 200 |

| Salary expense | |
|----------------|-------|
| Sep 15 | 590 |
| 30 | 590 |
| Bal | 1 180 |

| Rent expense | |
|--------------|-----|
| Sep 30 | 670 |
| Bal | 670 |

Req. 4

| TREVOR MOORE, SOLICITOR Trial balance as at 30 September 2016 | | |
|---|-----------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 12 550 | |
| Accounts receivable | 800 | |
| Supplies | 600 | |
| Furniture | 2 000 | |
| Land | 26 000 | |
| Accounts payable | | \$ 2 000 |
| Trevor Moore, capital | | 39 000 |
| Trevor Moore, drawings | 2 400 | |
| Service revenue | | 5 200 |
| Salary expense | 1 180 | |
| Rent expense | <u>670</u> | <u> </u> |
| Total | <u>\$46 200</u> | <u>\$46 200</u> |

(45–60 min.) P2-6**Req. 1**

| Journal | | | | |
|----------------|--|---------------|-------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Feb 4 | Cash | 11 | 4 000 | |
| | Accounts receivable | 12 | | 4 000 |
| | Received cash on account. | | | |
| | | | | |
| 8 | Accounts receivable | 12 | 4 600 | |
| | Service revenue | 41 | | 4 600 |
| | Performed services on account. | | | |
| | | | | |
| 13 | Accounts payable | 21 | 2 400 | |
| | Cash | 11 | | 2 400 |
| | Paid on account. | | | |
| | | | | |
| 18 | Supplies | 13 | 900 | |
| | Accounts payable | 21 | | 900 |
| | Purchased supplies on account. | | | |
| | | | | |
| 20 | Sam Mitchell, drawings | 32 | 2 200 | |
| | Cash | 11 | | 2 200 |
| | Owner drawings | | | |
| | | | | |
| 21 | Paid for deck for residence; not a transaction of the business. | | | |
| | | | | |
| 22 | Cash | 11 | 2 300 | |
| | Service revenue | 41 | | 2 300 |
| | Performed service for cash. | | | |
| | | | | |
| 27 | Rent expense | 52 | 500 | |
| | Cash | 11 | | 500 |
| | Paid rent. | | | |
| | | | | |
| 29 | Salary expense | 51 | 1 600 | |
| | Cash | 11 | | 1 600 |
| | Paid employee salary. | | | |

(continued) P2-6**Req. 2**

| ACCOUNT Cash | | | | | ACCOUNT NO. 11 | |
|----------------|----|------|-----------|-------|----------------|--------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan | 31 | Bal | | | | 7 000 |
| Feb | 4 | | | 4 000 | | 11 000 |
| | 13 | | | | 2 400 | 8 600 |
| | 20 | | | | 2 200 | 6 400 |
| | 22 | | | 2 300 | | 8 700 |
| | 27 | | | | 500 | 8 200 |
| | 29 | | | | 1 600 | 6 600 |

| ACCOUNT Accounts receivable | | | | | ACCOUNT NO. 12 | |
|-------------------------------|----|------|-----------|-------|----------------|--------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan | 31 | Bal | | | | 10 500 |
| Feb | 4 | | | | 4 000 | 6 500 |
| | 8 | | | 4 600 | | 11 100 |

| ACCOUNT Supplies | | | | | ACCOUNT NO. 13 | |
|---------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan | 31 | Bal | | | | 600 |
| Feb | 18 | | | 900 | | 1 500 |

| ACCOUNT Land | | | | | ACCOUNT NO. 14 | |
|--------------|-----|------|-----------|-------|----------------|--------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan 31 | Bal | | | | | 17 000 |

(continued) P2-6**(continued) Req. 2**

| ACCOUNT Accounts payable | | | | | ACCOUNT NO. 21 | |
|----------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan | 31 | Bal | | | | 4 700 |
| Feb | 13 | | | 2 400 | | 2 300 |
| | 18 | | | | 900 | 3 200 |

| ACCOUNT Sam Mitchell, capital | | | | | ACCOUNT NO. 31 | |
|---------------------------------|-----|------|-----------|-------|----------------|--------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jan 31 | Bal | | | | | 30 400 |

| ACCOUNT Sam Mitchell, drawings | | | | | ACCOUNT NO. 32 | |
|----------------------------------|------|-----------|-------|--------|----------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Feb 20 | | | 2 200 | | 2 200 | |

| ACCOUNT Service revenue | | | | | ACCOUNT NO. 41 | |
|---------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Feb | 8 | | | | 4 600 | 4 600 |
| | 22 | | | | 2 300 | 6 900 |

| ACCOUNT Salary expense | | | | | ACCOUNT NO. 51 | |
|--------------------------|------|-----------|-------|--------|----------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Feb 29 | | | 1 600 | | 1 600 | |

(continued) P2-6**(continued) Req. 2**

| ACCOUNT Rent expense | | | | | ACCOUNT NO. 52 | |
|-------------------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Feb 27 | | | 500 | | 500 | |

Req. 3

| SAM MITCHELL, ACCOUNTANT Trial balance as at 29 February 2016 | | | |
|---|------------------------|------------------|-------------------|
| ACCT. NO. | ACCOUNT | DEBIT | CREDIT |
| 11 | Cash | \$ 6 600 | |
| 12 | Accounts receivable | 11 100 | |
| 13 | Supplies | 1 500 | |
| 14 | Land | 17 000 | |
| 21 | Accounts payable | | \$ 3 200 |
| 31 | Sam Mitchell, capital | | 30 400 |
| 32 | Sam Mitchell, drawings | 2 200 | |
| 41 | Service revenue | | 6 900 |
| 51 | Salary expense | 1 600 | |
| 52 | Rent expense | <u>500</u> | <u> </u> |
| | Total | <u>\$ 40 500</u> | <u>\$ 40 500</u> |

(45–60 min.) P2-7**Req. 1**

| Journal | | | | |
|----------------|--------------------------------|---------------|-------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| Jul 4 | Cash | | 6 000 | |
| | Accounts receivable | | | 6 000 |
| | Received cash on account. | | | |
| 7 | Accounts receivable | | 6 600 | |
| | Service revenue | | | 6 600 |
| | Performed services on account. | | | |
| 16 | Supplies | | 1 000 | |
| | Accounts payable | | | 1 000 |
| | Purchased supplies on account. | | | |
| 19 | Sharon Silver, drawings | | 2 300 | |
| | Cash | | | 2 300 |
| | Owner drawings | | | |
| 20 | Accounts payable | | 2 500 | |
| | Cash | | | 2 500 |
| | Paid on account. | | | |
| 24 | Cash | | 2 200 | |
| | Service revenue | | | 2 200 |
| | Performed service for cash. | | | |
| 25 | Rent expense | | 500 | |
| | Cash | | | 500 |
| | Paid rent. | | | |
| 31 | Salary expense | | 1 700 | |
| | Cash | | | 1 700 |
| | Paid employee salary. | | | |

(continued) P2-7**Req. 2**

| ACCOUNT Cash | | | | | ACCOUNT NO. 11 | |
|--------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Jun 30 | Bal | | | | 7 000 | |
| Jul 4 | | | 6 000 | | 13 000 | |
| 19 | | | | 2 300 | 10 700 | |
| 20 | | | | 2 500 | 8 200 | |
| 24 | | | 2 200 | | 10 400 | |
| 25 | | | | 500 | 9 900 | |
| 31 | | | | 1 700 | 8 200 | |

| ACCOUNT Accounts receivable | | | | | ACCOUNT NO. 12 | |
|-----------------------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Jun 30 | Bal | | | | 8 500 | |
| Jul 4 | | | | 6 000 | 2 500 | |
| 7 | | | 6 600 | | 9 100 | |

| ACCOUNT Supplies | | | | | ACCOUNT NO. 13 | |
|------------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Jun 30 | Bal | | | | 800 | |
| Jul 16 | | | 1 000 | | 1 800 | |

| ACCOUNT Equipment | | | | | ACCOUNT NO. 14 | |
|-------------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Jun 30 | Bal | | | | 13 000 | |

(continued) P2-7**(continued) Req. 2**

| ACCOUNT Accounts payable | | | | | ACCOUNT NO. 21 | |
|-----------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jun | 30 | Bal | | | | 4 800 |
| Jul | 16 | | | | 1 000 | 5 800 |
| | 20 | | | 2 500 | | 3 300 |

| ACCOUNT Sharon Silver, capital | | | | | ACCOUNT NO. 31 | |
|-----------------------------------|-----|------|-----------|-------|----------------|--------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jun 30 | Bal | | | | | 24 500 |

| ACCOUNT Sharon Silver, drawings | | | | | ACCOUNT NO. 32 | |
|-----------------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jul | 19 | | | 2 300 | | 2 300 |

| ACCOUNT Service revenue | | | | | ACCOUNT NO. 41 | |
|----------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jul | 7 | | | | 6 600 | 6 600 |
| | 24 | | | | 2 200 | 8 800 |

| ACCOUNT Salary expense | | | | | ACCOUNT NO. 51 | |
|---------------------------|----|------|-----------|-------|----------------|-------|
| BALANCE | | | | | | |
| DATE | | ITEM | JRNL. REF | DEBIT | CREDIT | |
| Jul | 31 | | | 1 700 | | 1 700 |

(continued) P2-7**(continued) Req. 2**

| ACCOUNT Rent expense | | | | | ACCOUNT NO. 51 | |
|-------------------------|------|-----------|-------|--------|----------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| Jul 25 | | | 500 | | 500 | |

Req. 3

| SHARON SILVER, DIETITIAN Trial balance as at 31 July 2016 | | | |
|---|-------------------------|-----------------|-------------------|
| ACCT. NO. | ACCOUNT | DEBIT | CREDIT |
| 11 | Cash | \$ 8 200 | |
| 12 | Accounts receivable | 9 100 | |
| 13 | Supplies | 1 800 | |
| 14 | Equipment | 13 000 | |
| 21 | Accounts payable | | \$ 3 300 |
| 31 | Sharon Silver, capital | | 24 500 |
| 32 | Sharon Silver, drawings | 2 300 | |
| 41 | Service revenue | | 8 800 |
| 51 | Salary expense | 1 700 | |
| 52 | Rent expense | <u>500</u> | <u> </u> |
| | Total | <u>\$36 600</u> | <u>\$36 600</u> |

(45–60 min.) P2-8**Req. 2**

| Journal | | | | |
|----------------|--------------------------------|---------------|--------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| a. | Cash | | 48 000 | |
| | Building | | 30 000 | |
| | Maurey Wills, capital | | | 78 000 |
| | Owner investment. | | | |
| b. | Office supplies | | 2 000 | |
| | Accounts payable | | | 2 000 |
| | Purchased supplies on account. | | | |
| c. | Office furniture | | 14 000 | |
| | Cash | | | 14 000 |
| | Purchased furniture. | | | |
| d. | Salary expense | | 2 200 | |
| | Cash | | | 2 200 |
| | Paid salary. | | | |
| e. | Accounts receivable | | 3 700 | |
| | Service revenue | | | 3 700 |
| | Performed service on account. | | | |
| f. | Accounts payable | | 900 | |
| | Cash | | | 900 |
| | Paid on account. | | | |
| g. | Advertising expense | | 600 | |
| | Accounts payable | | | 600 |
| | Received advertising bill. | | | |

(continued) P2-8**Req. 2**

| Journal | | | | |
|----------------|--------------------------------|---------------|-------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| h. | Cash | | 1 100 | |
| | Service revenue | | | 1 100 |
| | Performed service and received | | | |
| | Cash | | | |
| i. | Cash | | 1 100 | |
| | Accounts receivable | | | 1 100 |
| | Collected cash on account. | | | |
| j. | Rent expense | | 1 000 | |
| | Electricity and gas expense | | 900 | |
| | Cash | | | 1 900 |
| | Paid expenses. | | | |
| k. | Maurey Wills, drawings | | 2 300 | |
| | Cash | | | 2 300 |
| | Owners' withdrawal | | | |

Reqs. 1 and 3

| ACCOUNT Cash | | | ACCOUNT NO. | | | |
|-----------------|------|-----------|-------------|--------|--------|--------|
| | | | BALANCE | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| a. | | | 48 000 | | 48 000 | |
| c. | | | | 14 000 | 34 000 | |
| d. | | | | 2 200 | 31 800 | |
| f. | | | | 900 | 30 900 | |
| h. | | | 1 100 | | 32 000 | |
| i. | | | 1 100 | | 33 100 | |
| j. | | | | 1 900 | 31 200 | |
| k. | | | | 2 300 | 28 900 | |

(continued) P2-8**(continued) Reqs. 1 and 3**

| ACCOUNT Accounts receivable | | | | | ACCOUNT NO. | |
|-------------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| e. | | | 3 700 | | 3 700 | |
| i. | | | | 1 100 | 2 600 | |

| ACCOUNT Office supplies | | | | | ACCOUNT NO. | |
|---------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| b. | | | 2 000 | | 2 000 | |

| ACCOUNT Office furniture | | | | | ACCOUNT NO. | |
|----------------------------|------|-----------|--------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| c. | | | 14 000 | | 14 000 | |

| ACCOUNT Building | | | | | ACCOUNT NO. | |
|--------------------|------|-----------|--------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| a. | | | 30 000 | | 30 000 | |

| ACCOUNT Accounts payable | | | | | ACCOUNT NO. | |
|----------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| b. | | | | 2 000 | | 2 000 |
| f. | | | 900 | | | 1 100 |
| g. | | | | 600 | | 1 700 |

(continued) P2-8**(continued) Reqs. 1 and 3**

| ACCOUNT Maurey Wills, capital | | | | | ACCOUNT NO. | |
|----------------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| a. | | | | 78 000 | | 78 000 |

| ACCOUNT Maurey Wills, drawings | | | | | ACCOUNT NO. | |
|-----------------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| k. | | | 2 300 | | 2 300 | |

| ACCOUNT Service revenue | | | | | ACCOUNT NO. | |
|----------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| e. | | | | 3 700 | | 3 700 |
| h. | | | | 1 100 | | 4 800 |

| ACCOUNT Salary expense | | | | | ACCOUNT NO. | |
|---------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| d. | | | 2 800 | | 2 800 | |

| ACCOUNT Rent expense | | | | | ACCOUNT NO. | |
|-------------------------|------|-----------|-------|--------|-------------|--------|
| | | | | | BALANCE | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| j. | | | 1 000 | | 1 000 | |

(continued) P2-8**(continued) Reqs. 1 and 3**

| ACCOUNT Advertising expense | | | | | ACCOUNT NO. | |
|-----------------------------|------|-----------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| g. | | | 600 | | 600 | |

| ACCOUNT Electricity and gas expense | | | | | ACCOUNT NO. | |
|-------------------------------------|------|-----------|-------|--------|-------------|--------|
| BALANCE | | | | | | |
| DATE | ITEM | JRNL. REF | DEBIT | CREDIT | DEBIT | CREDIT |
| j. | | | 900 | | 900 | |

Req. 4

| WILLS ENVIRONMENTAL CONSULTING | | | |
|--------------------------------|-----------------|-----------------|--|
| Trial balance | | | |
| as at 28 February 2015 | | | |
| ACCOUNT | DEBIT | CREDIT | |
| Cash | \$ 28 900 | | |
| Accounts receivable | 2 600 | | |
| Supplies | 2 000 | | |
| Furniture | 14 000 | | |
| Building | 30 000 | | |
| Accounts payable | | \$ 1 700 | |
| Maurey Wills, capital | | 78 000 | |
| Maurey Wills, drawings | 2 300 | | |
| Service revenue | | 4 800 | |
| Salary expense | 2 200 | | |
| Rent expense | 1 000 | | |
| Advertising expense | 600 | | |
| Electricity and gas expense | 900 | | |
| Total | <u>\$84 500</u> | <u>\$84 500</u> | |

(15–25 min.) P2-9**Req. 1**

| SMART TOTS CHILD CARE Trial balance as at 31 August 2016 | | |
|--|------------------|-------------------|
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 7 700* | |
| Accounts receivable | 15 000* | |
| Supplies | 1 700* | |
| Equipment | 78 500* | |
| Accounts payable | | \$ 54 000* |
| Tilley, capital | | 50 500 |
| Tilley, drawings | 2 400 | |
| Service revenue | | 4 700 |
| Salary expense | 3 400* | |
| Rent expense | <u>500</u> | <u> </u> |
| Total | <u>\$109 200</u> | <u>\$109 200</u> |

*Calculations:

- a. Cash: $\$6\,700 + \$1\,000 = \$7\,700$
- b. Accounts receivable: $\$7\,000 + \$4\,000 + \$4\,000 = \$15\,000$
- c. Supplies: $\$700 + \$1\,000 = \$1\,700$
Accounts payable: $\$53\,000 + \$1\,000 = \$54\,000$
- d. Equipment: $\$87\,000 - \$8\,500 = \$78\,500$
- e. Salary expense: $\$3\,600 - \$200 = \$3\,400$

(15–25 min.) P2-10**Req. 1**

| TREASURE HUNT EXPLORATION | | |
|-----------------------------|-----------------|-----------------|
| Trial balance | | |
| as at 30 June 2016 | | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 1 300* | |
| Accounts receivable | 6 360* | |
| Supplies | 1 300* | |
| Exploration equipment | 16 490* | |
| Computers | 49 000 | |
| Accounts payable | | \$ 3 700* |
| Bill payable | | 18 500 |
| Jones, capital | | 50 000 |
| Jones, drawings | 4 000 | |
| Service revenue | | 10 900* |
| Salary expense | 1 400 | |
| Rent expense | 1 480* | |
| Advertising expense | 900 | |
| Electricity and gas expense | <u>870*</u> | <u></u> |
| Total | <u>\$83 100</u> | <u>\$83 100</u> |

***Calculations:**

- a. Cash: $\$6\,300 - \$5\,000 = \$1\,300$
- b. Rent expense: $\$800 + \$340 + \$340 = \$1\,480$
- c. Service revenue: $\$4\,100 + \$6\,800 = \$10\,900$
- d. Accounts receivable: $\$6\,000 + (400 - 40 = \$360) = \$6\,360$
- e. Electricity and gas expense: $\$800 + \$70 = \$870$
- f. Supplies:
Accounts payable: $\$2\,800 + \$900 = \$3\,700$
- g. Exploration equipment: $\$22\,300 - \$5\,810 = \$16\,490$

(20–30 min.) P2-11**Req. 1**

| JANDA SERVICES | | |
|---------------------------------------|--------------|-----------------|
| Income statement | | |
| for the month ended 30 September 2016 | | |
| Revenue: | | |
| Service revenue | | \$25 000 |
| Expenses: | | |
| Salary expense | \$3 000 | |
| Rates expense | 2 000 | |
| Rent expense | <u>1 500</u> | |
| Total expenses | | <u>6 500</u> |
| Profit | | <u>\$18 500</u> |

Req. 2

| JANDA SERVICES | |
|---------------------------------------|------------------|
| Statement of changes in equity | |
| for the month ended 30 September 2016 | |
| Janda, capital, 1 September 2016 | \$ 0 |
| Owner investment | 400 000 |
| Profit | <u>18 500</u> |
| | 418 500 |
| Drawings | <u>(8 000)</u> |
| Janda, capital, 30 September 2016 | <u>\$410 500</u> |

Req. 3

| JANDA SERVICES | | | |
|-------------------------|------------------|-----------------------|------------------|
| Balance sheet | | | |
| as at 30 September 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$309 300 | Accounts payable | \$ 200 |
| Supplies | 1 400 | Loan payable | <u>260 000</u> |
| Depot building | 360 000 | Total liabilities | 260 200 |
| | | Owners' Equity | |
| | | Janda, capital | <u>410 500</u> |
| | | Total liabilities and | |
| Total assets | <u>\$670 700</u> | owners' equity | <u>\$670 700</u> |

(20–30 min.) P2-12**Req. 1**

| VERNON YUNG, GP | | |
|----------------------------------|-----------------------------|----------------|
| Income statement | | |
| for the month ended 31 July 2016 | | |
| Revenue: | | |
| | Service revenue | \$12 300 |
| Expenses: | | |
| | Salary expense | \$2 500 |
| | Rent expense—office | 1 100 |
| | Rent expense—equipment | 560 |
| | Electricity and gas expense | <u>400</u> |
| | Total expenses | <u>4 560</u> |
| Profit | | <u>\$7 740</u> |

Req. 2

| VERNON YUNG, GP | |
|---------------------------------------|-----------------|
| Statement of changes in equity | |
| for the month ended 31 July 2016 | |
| Vernon Yung, capital, 1 July 2016 | \$ 0 |
| Owner investment | 68 000 |
| Profit | <u>7 740</u> |
| | 75 740 |
| Drawings | <u>(7 000)</u> |
| Vernon Yung, capital 31 July 2016 | <u>\$68 740</u> |

Req. 3

| VERNON YUNG, GP | | | |
|------------------------|------------------|---|-----------------|
| Balance sheet | | | |
| as at 31 July 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$ 68 640 | Accounts payable | \$ 300 |
| Accounts receivable | 5 800 | Loan payable | <u>23 000</u> |
| Supplies | 1 600 | Total liabilities | 23 300 |
| Land | 16 000 | Owners' Equity | |
| | | Vernon Yung capital | <u>68 740</u> |
| | | Total liabilities and owners' equity | |
| Total assets | <u>\$ 92 040</u> | | <u>\$92 040</u> |

(20–30 min.) P2-13**Req. 1**

| DORIS STEWART, DESIGNER | | | |
|---------------------------------------|-----------------|------------|-----------------|
| Income statement | | | |
| for the month ended 30 September 2016 | | | |
| Revenue: | | | |
| | Service revenue | | <u>\$ 5 200</u> |
| Expenses: | | | |
| | Salary expense | \$ 980 | |
| | Rent expense | <u>650</u> | |
| | Total expenses | | <u>1 630</u> |
| Profit | | | <u>\$3 570</u> |

Req. 2

| DORIS STEWART, DESIGNER | |
|---|-----------------|
| Statement of changes in equity | |
| for the month ended 30 September 2016 | |
| Doris Stewart, capital, 1 September 2016 | \$ 0 |
| Owner investment | 52 000 |
| Profit | <u>3 570</u> |
| | 55 570 |
| Drawings | <u>(2 000)</u> |
| Doris Stewart, capital, 30 September 2016 | <u>\$53 570</u> |

Req. 3

| DORIS STEWART, DESIGNER | | | |
|--------------------------------|------------------|--------------------------------------|-----------------|
| Balance sheet | | | |
| as at 30 September 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$ 16 370 | Accounts payable | \$ 700 |
| Accounts receivable | 1 300 | | |
| Supplies | 700 | | |
| Furniture | 1 900 | Owners' Equity | |
| Land | 34 000 | Doris Stewart, capital | <u>53 570</u> |
| | | Total liabilities and owners' equity | <u>\$54 270</u> |
| Total assets | <u>\$ 54 270</u> | | |

(20–30 min.) P2-14**Req. 1**

| TREVOR MOORE SOLICITOR | | | |
|---------------------------------------|-----------------|------------|-----------------|
| Income statement | | | |
| for the month ended 30 September 2016 | | | |
| Revenue: | | | |
| | Service revenue | | \$ 5 200 |
| Expenses: | | | |
| | Salary expense | \$1 180 | |
| | Rent expense | <u>670</u> | |
| | Total expenses | | <u>1 850</u> |
| Profit | | | <u>\$ 3 350</u> |

Req. 2

| TREVOR MOORE, SOLICITOR | |
|--|-----------------|
| Statement of changes in equity | |
| for the month ended 30 September 2016 | |
| Trevor Moore, capital, 1 September 2016 | \$ 0 |
| Owner investment | 39 000 |
| Profit | <u>3 350</u> |
| | 42 350 |
| Drawings | <u>(2 400)</u> |
| Trevor Moore, capital, 30 September 2016 | <u>\$39 950</u> |

Req. 3

| TREVOR MOORE, SOLICITOR | | | |
|--------------------------------|------------------|--------------------------------------|-----------------|
| Balance sheet | | | |
| as at 30 September 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$ 12 550 | Accounts payable | \$ 2 000 |
| Accounts receivable | 800 | | |
| Supplies | 600 | | |
| Furniture | 2 000 | Owners' Equity | |
| Land | 26 000 | Trevor Moore, capital | <u>39 950</u> |
| Total assets | <u>\$ 41 950</u> | Total liabilities and owners' equity | <u>\$41 950</u> |

(20–30 min.) P2-15**Req. 1**

| SAM MITCHELL, ACCOUNTANT | | | |
|--------------------------------------|-----------------|------------|-----------------|
| Income statement | | | |
| for the month ended 29 February 2016 | | | |
| Revenue: | | | |
| | Service revenue | | \$ 7 100 |
| Expenses: | | | |
| | Salary expense | \$1 700 | |
| | Rent expense | <u>600</u> | |
| | Total expenses | | <u>2 300</u> |
| Profit | | | <u>\$ 4 800</u> |

Req. 2

| SAM MITCHELL, ACCOUNTANT | |
|---|------------------|
| Statement of changes in equity | |
| for the month ended 29 February 2016 | |
| Sam Mitchell, capital, 1 February 2016 | \$ 0 |
| Owner investment | 32 400 |
| Profit | <u>4 800</u> |
| | 37 200 |
| Drawings | <u>(4 200)</u> |
| Sam Mitchell, capital, 29 February 2016 | <u>\$ 33 000</u> |

Req. 3

| SAM MITCHELL, ACCOUNTANT | | | |
|---------------------------------|------------------|-----------------------|-----------------|
| Balance sheet | | | |
| as at 29 February 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$ 5 600 | Accounts payable | \$ 3 200 |
| Accounts receivable | 11 100 | | |
| Supplies | 1 500 | | |
| Land | 18 000 | Owners' Equity | |
| | | Sam Mitchell, capital | <u>33 000</u> |
| | | Total liabilities and | |
| Total assets | <u>\$ 36 200</u> | owners' equity | <u>\$36 200</u> |

(20–30 min.) P2-16**Req. 1**

| SHARON SILVER, DIETITIAN | | | |
|----------------------------------|-----------------|------------|-----------------|
| Income statement | | | |
| for the month ended 31 July 2016 | | | |
| Revenue: | | | |
| | Service revenue | | \$ 8 800 |
| Expenses: | | | |
| | Salary expense | \$1 700 | |
| | Rent expense | <u>500</u> | |
| | Total expenses | | <u>2 200</u> |
| Profit | | | <u>\$ 6 600</u> |

Req. 2

| SHARON SILVER, DIETITIAN | |
|--------------------------------------|-----------------|
| Statement of changes in equity | |
| for the month ended 31 July 2016 | |
| Sharon Silver, capital, 1 July 2016 | \$ 0 |
| Owner investment | 24 500 |
| Profit | <u>6 600</u> |
| | 31 100 |
| Drawings | <u>(2 300)</u> |
| Sharon Silver, capital, 31 July 2016 | <u>\$28 800</u> |

Req. 3

| SHARON SILVER, DIETITIAN | | | |
|--------------------------|-------------------|------------------------|---------------|
| Balance sheet | | | |
| as at 31 July 2016 | | | |
| Assets | | Liabilities | |
| Cash | \$ 8 200 | Accounts payable | \$ 3 300 |
| Accounts receivable | 9 100 | | |
| Supplies | 1 800 | | |
| Equipment | 13 000 | | |
| | <u> </u> | Owners' Equity | |
| | | Sharon Silver, capital | <u>28 800</u> |
| Total assets | <u>\$ 32 100</u> | Total liabilities and | |
| Cash | \$ 8 200 | owners' equity | <u>32 100</u> |

(20–30 min.) P2-17**Req. 1**

| MAUREY WILLS, ENVIRONMENTAL CONSULTING | | |
|---|-----------------------------|------------|
| Income statement | | |
| for the month ended 29 February 2015 | | |
| Revenue: | | |
| | Service revenue | \$ 4 800 |
| Expenses: | | |
| | Salary expense | \$ 2 200 |
| | Rent expense | 1 000 |
| | Electricity and gas expense | 900 |
| | Advertising expense | <u>600</u> |

Req. 2

| MAUREY WILLS, ENVIRONMENTAL CONSULTING | |
|---|------------------|
| Statement of changes in equity | |
| for the month ended 29 February 2015 | |
| Maurey Wills, capital, 1 February 2015 | \$ 0 |
| Owner investment | 78 000 |
| Profit | <u>100</u> |
| | 78 100 |
| Drawings | <u>(2 300)</u> |
| Maurey Wills, capital, 28 February 2015 | <u>\$ 75 800</u> |

Req. 3

| MAUREY WILLS, ENVIRONMENTAL CONSULTING | | | |
|---|-----------------|-----------------------|---------------|
| Balance sheet | | | |
| as at 29 February 2015 | | | |
| Assets | | Liabilities | |
| Cash | \$28 900 | Accounts payable | \$ 1 700 |
| Accounts receivable | 2 600 | | |
| Office supplies | 2 000 | | |
| Office furniture | 14 000 | Owners' Equity | |
| Building | 30 000 | Maurey Wills, capital | <u>75 800</u> |
| | | Total liabilities and | |
| Total assets | <u>\$77 500</u> | owners' equity | <u>77 500</u> |

Continuing exercise**(30–45 min.) E2-15****Req. 2**

| Journal | | | | |
|----------------|---------------------------|---------------|-------|--------|
| DATE | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
| May 1 | Cash | | 1 700 | |
| | Lawlor capital | | | 1 700 |
| 3 | Equipment | | 1 440 | |
| | Accounts payable | | | 1 440 |
| 5 | Fuel expense | | 30 | |
| | Cash | | | 30 |
| 6 | Accounts receivable | | 150 | |
| | Service revenue | | | 150 |
| 8 | Lawn supplies | | 150 | |
| | Cash | | | 150 |
| 17 | Cash | | 800 | |
| | Service revenue | | | 800 |
| 31 | Cash | | 100 | |
| | Accounts receivable | | | 100 |

Reqs. 1 and 3

| Cash | | | |
|-------|-------|-------|-----|
| May 1 | 1 700 | May 5 | 30 |
| 17 | 800 | 8 | 150 |
| 31 | 100 | | |
| Bal | 2 420 | | |

| Accounts receivable | | | |
|---------------------|-----|--------|-----|
| May 6 | 150 | May 31 | 100 |
| Bal | 50 | | |

| Lawn supplies | | | |
|---------------|-----|--|--|
| May 8 | 150 | | |
| Bal | 150 | | |

(continued) E2-15

| Equipment | | |
|-----------|-------|--|
| May 3 | 1 440 | |
| Bal | 1 440 | |

| Accounts payable | | |
|------------------|-------|-------|
| | May 3 | 1 440 |
| | Bal | 1 440 |

| Lawlor, capital | | |
|-----------------|-------|-------|
| | May 1 | 1 700 |
| | Bal | 1 700 |

| Service revenue | | |
|-----------------|-------|-----|
| | May 6 | 150 |
| | 17 | 800 |
| | Bal | 950 |

| Fuel expense | | |
|--------------|----|--|
| May 5 | 30 | |
| Bal | 30 | |

Req. 4

| LAWLOR LAWN SERVICE | | |
|---------------------|-----------------|----------------|
| Trial balance | | |
| as at 31 May 2016 | | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 2 420 | |
| Accounts receivable | 50 | |
| Lawn supplies | 150 | |
| Equipment | 1 440 | |
| Accounts payable | | \$1 440 |
| Lawlor, capital | | 1 700 |
| Service revenue | | 950 |
| Fuel expense | 30 | |
| Total | <u>\$ 4 090</u> | <u>\$4 090</u> |

Continuing problem**(40–50 min.) P2-18****Req. 2**

| Journal | | | | |
|----------------|-----------------------------|--|---------------|-------------------|
| DATE | ACCOUNTS AND EXPLANATIONS | | POST. REF. | DEBIT CREDIT |
| Dec 2 | Cash | | | 18 000 |
| | Carl Draper, capital | | | 18 000 |
| 2 | Rent expense | | | 550 |
| | Cash | | | 550 |
| 3 | Equipment | | | 1 800 |
| | Cash | | | 1 800 |
| 4 | Furniture | | | 4 200 |
| | Accounts payable | | | 4 200 |
| 5 | Supplies | | | 900 |
| | Accounts payable | | | 900 |
| 9 | Accounts receivable | | | 1 500 |
| | Service revenue | | | 1 500 |
| 12 | Electricity and gas expense | | | 250 |
| | Cash | | | 250 |
| 18 | Cash | | | 1 100 |
| | Service revenue | | | 1 100 |

Reqs. 1 and 3

| Cash | | | | Accounts receivable | | | |
|-------|--------|-------|-------|---------------------|-------|--|--|
| Dec 2 | 18 000 | Dec 2 | 550 | Dec 9 | 1 500 | | |
| 18 | 1 100 | 3 | 1 800 | Bal | 1 500 | | |
| | | 12 | 250 | | | | |
| Bal | 16 500 | | | | | | |

(continued) P2-18**(continuing) Reqs. 1 and 3**

| Supplies | | |
|----------|-----|--|
| Dec 5 | 900 | |
| Bal | 900 | |

| Equipment | | |
|-----------|-------|--|
| Dec 3 | 1 800 | |
| Bal | 1 800 | |

| Furniture | | |
|-----------|-------|--|
| Dec 4 | 4 200 | |
| Bal | 4 200 | |

| Accounts payable | | |
|------------------|-------|-------|
| | Dec 4 | 4 200 |
| | 5 | 900 |
| | Bal | 5 100 |

| Carl Draper, capital | | |
|----------------------|-------|--------|
| | Dec 2 | 18 000 |
| | Bal | 18 000 |

| Electricity and gas expense | | |
|-----------------------------|-----|--|
| Dec 12 | 250 | |
| Bal | 250 | |

| Service revenue | | |
|-----------------|-------|-------|
| | Dec 9 | 1 500 |
| | 18 | 1 100 |
| | Bal | 2 600 |

| Rent expense | | |
|--------------|-----|--|
| Dec 2 | 550 | |
| Bal | 550 | |

DRAPER CONSULTING**Trial balance**

as at 18 December 2016

| ACCOUNT | DEBIT | CREDIT |
|-----------------------------|-----------------|-----------------|
| Cash | \$16 500 | |
| Accounts receivable | 1 500 | |
| Supplies | 900 | |
| Equipment | 1 800 | |
| Furniture | 4 200 | |
| Accounts payable | | \$ 5 100 |
| Carl Draper, capital | | 18 000 |
| Service revenue | | 2 600 |
| Rent expense | 550 | |
| Electricity and gas expense | 250 | |
| Total | <u>\$25 700</u> | <u>\$25 700</u> |

Decision cases**Case 2-1****Reqs. 1 and 2**

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

| Accounts receivable | |
|---------------------|-----------|
| (e) 8 800 | (f) 1 200 |
| Bal 7 600 | |

| Supplies | |
|----------|--|
| (b) 300 | |
| Bal 300 | |

| Accounts payable | |
|------------------|---------|
| | (c) 700 |

| Shee Boon Law, capital | |
|------------------------|------------|
| | (a) 10 000 |

| Service revenue | |
|-----------------|-----------|
| | (e) 8 800 |

| Salary expense | |
|----------------|--|
| (d) 1 400 | |

| Rent expense | |
|--------------|--|
| (d) 1 100 | |

| Advertising expense | |
|---------------------|--|
| (c) 700 | |

(continued) Case 2-1**Req. 3**

| TRAVEL PLANNER | | |
|------------------------|-----------------|-------------------|
| Trial balance | | |
| 30 June 2016 | | |
| ACCOUNT | DEBIT | CREDIT |
| Cash | \$ 8 400 | |
| Accounts receivable | 7 600 | |
| Supplies | 300 | |
| Accounts payable | | \$ 700 |
| Shee Boon Law, capital | | 10 000 |
| Service revenue | | 8 800 |
| Salary expense | 1 400 | |
| Rent expense | 1 100 | |
| Advertising expense | <u>700</u> | <u> </u> |
| Total | <u>\$19 500</u> | <u>\$19 500</u> |

Req. 4**Travel Planners**

| | |
|---------------------|----------------|
| Revenues: | |
| Service revenue | \$8 800 |
| Expenses: | |
| Salary expense | \$1 400 |
| Rent expense | 1 100 |
| Advertising expense | <u>700</u> |
| Total expenses | <u>3 200</u> |
| Profit for month | <u>\$5 600</u> |

Recommendation:

Discontinue the business, because profit falls below the target amount.

Case 2-2**Req. 1**

Double-entry bookkeeping has the advantage that it records both sides (the 'giving' side and the 'receiving' side) of a business transaction in the precise language of accounting—that is, 'debits' and 'credits'. This allows for the exact description of balances in all accounts, and helps ensure that the entire system is always in balance.

Req. 2

The bank is not misusing the term *credit*. From the perspective of the bank's ledger, when you deposit money in the bank, the bank debits Cash (received from you) and credits a payable (payable to you on demand). It is this payable, a liability account, that is the source of the term *credit*. This is why a bank *credit* is good for the depositor. It means you have more money in the bank.

*Students probably will not be this complete.

Focus on ethics

Listing Dingo Downs on the ASX will mean greater public accountability and, in particular, greater levels of disclosure of financial and other information about the firm. It also requires attention to what is good corporate governance.

Listing on the ASX provides the benefit of greater access to potentially cheaper sources of long-term equity finance compared to debt finance. However, there are considerable costs of compliance to ASX listing rules.

The ASX requires compliance with IFRS and much additional detailed, continuous disclosure of events that may reflect on the interpretation of information contained in reports filed with the ASX. There are requirements for the disclosure of information about the remuneration of directors and other officers and many detailed rules concerning the periodic filing of financial information. There are additional requirements regarding the audit of annual reports and the certification of statements made concerning the business.

The ASX has issued detailed guidance on ethics and the governance of listed entities. Among the matters on which recommendations are given are disclosure of the functions of the Board, how performance of management is monitored and assessed, how management remuneration is determined, the code of conduct of the Board, company policy on continuous disclosure and financial risk management.

Listing therefore carries with it a considerable overhead.

Fraud case

Req. 1

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

Req. 2

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

Financial statement case

Req. 1

| Journal | | | | |
|---------|----|---|---------------|-------------------|
| DATE | | ACCOUNTS AND EXPLANATIONS | POST. REF. | DEBIT CREDIT |
| Dec. | 1 | Cash and cash equivalents | | 60 000 |
| | | Revenue | | 60 000 |
| | 9 | Cash and cash equivalents | | 200 000 |
| | | Borrowings | | 200 000 |
| | 12 | Inventories | | 10 000 |
| | | Trade and other payables | | 10 000 |
| | 22 | Trade and other payables | | 5 000 |
| | | Cash and cash equivalents (\$10 000 × ½) | | 5 000 |
| | 28 | Administrative expenses | | 3 000 |
| | | Cash and cash equivalents | | 3 000 |
| | 31 | Borrowings | | 100 000 |
| | | Finance costs | | 1 000 |
| | | Cash and cash equivalents | | 101 000 |

Note:

Some of the terms used in JB Hi-Fi financial statements appear as being slightly different those used in your book: 'cash and cash equivalents' instead of 'cash', 'revenues' instead of 'sales revenue', 'borrowings' instead of 'loans payable' or 'bills payable', and 'finance costs' instead of 'interest expense'. The above terms are based upon JB Hi-Fi financial statements for a past year and may change over time. JB Hi-Fi financial statements use terminology based upon accounting standards.