

## **PART 3: SOLUTIONS**

This section of the manual contains the solutions to end-of-chapter exercises, end-of-chapter problems, end-of-chapter audit questions, and comprehensive problems 1 through 3. The solutions are arranged in the same order presented in the text-workbook to facilitate checking. Thus, if students complete the problems in the order in which they are presented in the text, the order of their computer-generated output should correspond to the order of the presentation of the solutions in this section.



# Chapter 1

## INTRODUCTION

### STUDENT EXERCISES

#### I. MATCHING

1. j
2. h
3. f
4. k
5. e
6. g
7. b
8. d
9. c
10. i
11. p
12. n
13. l
14. a
15. o
16. q
17. m

#### II. QUESTIONS

1. An informational system that plans, analyzes, records, and reports financial information.
2. Accountant.
3. A business is an economic entity that endeavors to sell goods and services to customers at prices that will pay all the costs of doing business and return a profit to the owners.
4. A MIS consists of several computer integrated systems that provide all the informational needs of the business.
5.  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$ .
6. Account classification is a grouping of all accounts in the general ledger into their appropriate categories.
7. The double-entry accounting system is based on recording debit and credit parts of a transaction so that the total dollar amount of debits and total dollar amount of credits equal each other.
8. The Explore Accounting System is used to access data stored by the software in order to perform audit checks, check account activity, isolate errors, and other tasks that are helpful to managing account information.

## 96 Part 3 Solutions

9. The Web browser enables you to find and view information about anything on the World Wide Web.
10. College Planner  
Savings Planner  
Loan Planner  
Retirement Planner  
Notes Interest Planner
11. The purpose of the Check feature of the software is to assist you in checking your work for sample and A problems against solution key files as you complete the end-of-chapter problems in this text-workbook.

### PROBLEM 1-A

#### College Savings Plan 09/01/--

##### Schedule of College Savings

Year	Annual Contribution	Annual Yield	College Savings
(Beginning Balance)			6,500.00
1	4,000.00	503.75	11,003.75
2	4,000.00	852.79	15,856.54
3	4,000.00	1,228.88	21,085.42
4	4,000.00	1,634.12	26,719.54
5	4,000.00	2,070.76	32,790.30
6	4,000.00	2,541.25	39,331.55
7	4,000.00	3,048.20	46,379.75
8	4,000.00	3,594.43	53,974.18

##### Schedule of College Payments

College Year	Annual Payments	Annual Yield	Savings Balance
(College Savings)			53,974.18
1	15,039.76	3,017.42	41,951.84
2	15,039.76	2,085.69	28,997.77
3	15,039.76	1,081.75	15,039.76
4	15,039.76		.00

Lopez Realtors  
Accounting Equation Report  
09/01/--

Account	Classification	Description	Amount
Cash	Asset	Balance Forward	.00
		Transaction	10,000.00
		Transaction	-250.00
		Transaction	-395.00
		Transaction	-450.00
		Transaction	-1,500.00
		Transaction	-600.00
		New Balance	6,805.00
Supplies	Asset	Balance Forward	.00
		Transaction	250.00
		Transaction	1,000.00
		New Balance	1,250.00
Prepaid Insurance	Asset	Balance Forward	.00
		Transaction	395.00
		New Balance	395.00
Accounts Payable	Liability	Balance Forward	.00
		Transaction	1,000.00
		Transaction	-600.00
		New Balance	400.00
David Lopez, Capital	Owner's Equity	Balance Forward	.00
		Transaction	10,000.00
		New Balance	10,000.00
David Lopez, Drawing	Owner's Equity	Balance Forward	.00
		Transaction	1,500.00
		New Balance	1,500.00
Fees	Revenue	Balance Forward	.00
		New Balance	.00
Advertising Expense	Expense	Balance Forward	.00
		Transaction	450.00
		New Balance	450.00
Insurance Expense	Expense	Balance Forward	.00
		New Balance	.00
Legal Expense	Expense	Balance Forward	.00
		New Balance	.00
Miscellaneous Expense	Expense	Balance Forward	.00
		New Balance	.00
Rent Expense	Expense	Balance Forward	.00
		New Balance	.00
Supplies Expense	Expense	Balance Forward	.00
		New Balance	.00
Utilities Expense	Expense	Balance Forward	.00
		New Balance	.00
		Assets =	8,450.00
		Liabilities + Equity	8,450.00
Equation in Balance			

## 98 Part 3 Solutions

### Account Classification Drill

Account Title	Classification	Normal Balance	Increased By
Cash	asset	debit	debit
David Lopez, Capital	owner's equity	credit	credit
Prepaid Insurance	asset	debit	debit
Legal Expense	expense	debit	debit
Miscellaneous Expense	expense	debit	debit
Accounts Payable	liability	credit	credit

*Student responses to the Internet activity to find information about careers in the accounting field will vary.*

### AUDIT QUESTIONS 1-A

1. Click on the Help Contents and Index menu item in the Help menu. When the Help window appears, click on the Search tab and enter "Web Browser." Under the Choose Topic to Display list, click on Internet Browser to obtain the following information:

To Search the Internet

1. Click on the Search toolbar button, or choose the Search Internet menu item in your browser, select a search category, and follow the directions. Or, in the Address Bar, type go, find, or ? followed by a space and the word or phrase you want to find.
  2. In the list of search results that appear, click a link to display the desired Web page. After you go to a Web page, you can search for specific text on that page.
2. \$104.51
  3. \$15,039.76
  4. \$8,450.00
  5. 4110
  6. Supplies account  
Transaction 1 = debit for \$250.00  
Transaction 2 = debit for \$1,000.00

## PROBLEM 1-B

College Savings Plan  
09/01/--

## Schedule of College Savings

Year	Annual Contribution	Annual Yield	College Savings
(Beginning Balance)			6,500.00
1	4,200.00	471.25	11,171.25
2	4,200.00	809.92	16,181.17
3	4,200.00	1,173.13	21,554.30
4	4,200.00	1,562.69	27,316.99
5	4,200.00	1,980.48	33,497.47
6	4,200.00	2,428.57	40,126.04
7	4,200.00	2,909.14	47,235.18
8	4,200.00	3,424.55	54,859.73
9	4,200.00	3,977.33	63,037.06
10	4,200.00	4,570.19	71,807.25
11	4,200.00	5,206.03	81,213.28
12	4,200.00	5,887.96	91,301.24

## Schedule of College Payments

College Year	Annual Payments	Annual Yield	Savings Balance
(College Savings)			91,301.24
1	25,274.57	4,786.93	70,813.60
2	25,274.57	3,301.58	48,840.61
3	25,274.57	1,708.54	25,274.58
4	25,274.58		.00

Lopez Realtors  
Accounting Equation Report  
09/01/--

Account	Classification	Description	Amount
Cash	Asset	Balance Forward	.00
		Transaction	10,500.00
		Transaction	-375.00
		Transaction	-425.00
		Transaction	-275.50
		Transaction	-2,500.00
		Transaction	-1,200.00
		New Balance	5,724.50
Supplies	Asset	Balance Forward	.00
		Transaction	375.00
		Transaction	1,800.00
		New Balance	2,175.00

## 100 Part 3 Solutions

Prepaid Insurance	Asset	Balance Forward	.00
		Transaction	425.00
		New Balance	425.00
Accounts Payable	Liability	Balance Forward	.00
		Transaction	1,800.00
		Transaction	-1,200.00
		New Balance	600.00
David Lopez, Capital	Owner's Equity	Balance Forward	.00
		Transaction	10,500.00
		New Balance	10,500.00
David Lopez, Drawing	Owner's Equity	Balance Forward	.00
		Transaction	2,500.00
		New Balance	2,500.00
Fees	Revenue	Balance Forward	.00
		New Balance	.00
Advertising Expense	Expense	Balance Forward	.00
		New Balance	.00
Insurance Expense	Expense	Balance Forward	.00
		New Balance	.00
Legal Expense	Expense	Balance Forward	.00
		New Balance	.00
Miscellaneous Expense	Expense	Balance Forward	.00
		New Balance	.00
Rent Expense	Expense	Balance Forward	.00
		New Balance	.00
Supplies Expense	Expense	Balance Forward	.00
		New Balance	.00
Utilities Expense	Expense	Balance Forward	.00
		Transaction	275.50
		New Balance	275.50
		Assets =	8,324.50
		Liabilities + Equity	8,324.50
Equation in Balance			

### Account Classification Drill

Account Title	Classification	Normal Balance	Increased By
Supplies	asset	debit	debit
Accounts Payable	liability	credit	credit
Advertising Expense	expense	debit	debit
Utilities Expense	expense	debit	debit
David Lopez, Drawing	owner's equity	debit (contra Account)	debit
Rent Expense	expense	debit	debit

*Student responses to the Internet activity to find information about foreign currency exchange rates will vary.*

**AUDIT QUESTIONS 1-B**

1. Click on the Help Contents and Index menu item in the Help menu. When the Help window appears, click on the Search tab and enter "copying." Under the Choose Topic to Display list, click on Copying Report Contents to the Clipboard to obtain the following information:

Copying Accounting Data to the Clipboard

1. Click on the Copy command button.
  2. When the Copy Report to Clipboard dialog box appears, select the desired option button for spreadsheet or word processor.
  3. Click on OK. The entire report will be copied to the clipboard in the specified format.
  4. If the copy is successful, a message dialog box will appear, indicating the copy is complete. Click on OK.
  5. Switch to your spreadsheet or word-processor program.
  6. Position the insertion point at the location where you would like the data to appear.
  7. Choose Paste from your spreadsheet or word processor menu.
2. \$4,235.00
  3. \$25,274.57
  4. \$8,324.50
  5. 5170
  6. Accounts Payable:  
Transaction 1 = credit for \$1,800.00  
Transaction 2 = debit for \$1,200.00

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