Financial and Managerial Accounting 4th edition Kimmel Solutions Manual

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CASE 2

1. **ABC is beneficial when traditional overhead allocation results in inaccurate product costing. Wall Dêcor should investigate the product costing system because in order to sell the unframed prints the stores must mark them up only slightly above their cost, while the framed prints enjoy a large profit margin. Traditional overhead allocation often results in inappropriate overhead allocation when one product is a high-volume item (in this case, the unframed prints) and another product is a more complex, low-volume item (in this case, the framed prints).**

   Another indication that ABC would be beneficial occurs when company managers have begun to develop their own costing systems because they have lost faith in the traditional system. In this case, the production manager does not have faith in the company's costing system and instead has developed her own costing system.

2. **The activity-based overhead rates can be calculated by dividing the estimated overhead associated with each activity by the expected use of the cost driver.**

CASE 2 (Continued)

Activity	Cost Driver	Estimated Overhead	Expected Use of Cost Driver	Activity-Based Overhead Rate
Picking prints	Number of prints	$ 30,600	(80,000 + 15,000 + 7,000) = 102,000 prints	$0.30 per pick
Inventory selection and management	Number of components: Print (1) Print and frame (2) Print, mat, and frame (3)	$ 91,700	Prints: 80,000 components Print and frame: 15,000 X 2 = 30,000 components Print, mat, and frame: 7,000 X 3 = 21,000 components Total = 131,000 components	$0.70 per component
Website optimization	Number of prints at capacity			
Unframed		$ 25,800	Unframed prints— 100,000 print capacity	$0.258 per print
Framed		$103,200	Framed or framed and matted prints— 25,000 capacity	$4.128 per framed or framed and matted print
Framing and matting	Number of components at capacity	$123,900	Print and frame: 16,000 X 2 = 32,000 components at capacity Print, mat, and frame: 9,000 X 3 = 27,000 components at capacity Total = 59,000 components	$2.10 per component
		$375,200		

CASE 2 (Continued)

3.

Description	Lance Armstrong Print	John Elway Steel-Framed Print, No Matting	Lambeau Field Wood-Framed Print, with Matting
Direct materials			
Print	$12.00	$16.00	$20.00
Frame and glass		4.00	6.00
Matting			4.00
Total	12.00	20.00	30.00
Direct labor			
Picking			
([10/60] X $12)	2.00	2.00	2.00
Matting and framing			
([20/60] X $21)		7.00	
([30/60] X $21)			10.50
Total	2.00	9.00	12.50
Manufacturing overhead by activity			
Picking prints			
@ $0.30 per pick	0.30	0.30	0.30
Inventory selection and management			
@ $0.70 per component (1, 2, and 3)	0.70	1.40	2.10
Website optimization			
@ $0.258 per print	0.258	0.00	0.00
@ $4.128 per framed or framed and matted		4.128	4.128
Framing and matting			
@ $2.10 per component		4.20	6.30
Total	1.258	10.028	12.828
Total product cost	$15.258	$39.028	$55.328

4. In Case 1 the high-volume prints consumed the greatest amount of overhead because it was assumed all manufacturing overhead was driven by print cost combined with sales volume, regardless of the mix of unframed prints and framed prints. Since far more unframed prints were sold, most of the overhead was allocated to unframed prints.

Under ABC, this changes. Although still based on estimates, ABC first provides an analysis of how resources were consumed by activity. Next, in the second step of allocation, activity costs are allocated to unframed prints and framed prints using different types of drivers. These drivers are designed to model how manufacturing overhead resources were consumed at the product level. For example, the last activity (framing and matting) is allocated to framed items only. The reason is that unframed prints do not consume framing and matting equipment, space, and general overhead resources.

The primary implication for the company is that the product costs will be more accurate, which will result in better product pricing and more accurate evaluation of the relative profitability of the products.

5. **There are some costs that are very difficult to allocate because it is difficult to determine a meaningful cost driver that captures differences across products. Time and resources dedicated to web optimization for an integrated system fall into this category. In this case, in order to reflect the significant difference between the amount of time spent on web optimization by the IT staff on unframed prints versus framed prints, the total cost of web optimization was first split between these two categories. Time of IT staff was used to subdivide the cost by resource consumption between unframed prints and framed prints. This allocation, although it may appear simple, is sometimes very difficult to accomplish in the real world. Once identified, management can see that much of IT's resources are being consumed by framed and matted items.**

6. **The advantage of ABC versus traditional predetermined overhead allocation is that ABC allocates costs based on the activities that generate those costs. This results in more accurate product costing. By breaking costs down into more refined categories, product costing will be even more accurate. However, having more categories is costly from a record-keeping perspective. Increasingly, there is an effort by ABC consultants to "keep it simple" so as to reduce the cost of implementing ABC. It is believed that many of the benefits of ABC can be attained with relatively simple systems.**

7. By allocating fixed overhead costs using operating capacity as the basis, management can see how much, approximately, each item costs at capacity. Although this is somewhat arbitrary, it does provide a benchmark for comparability and improvement. The advantage is that management can manage costs based on a standard.

   If expected sales volume is used to allocate fixed overhead costs, then the allocation rate will fluctuate as sales fluctuate. This reduces the usefulness of analysis across years and makes planning very difficult. In fact, it can result in a vicious cycle: As volume decreases, the fixed cost per unit goes up, so product cost goes up. In response, management raises prices (because the product cost has risen). When the price rises, volume falls even further, and the cycle starts over again. Keep in mind that costs must be controlled at the activity level. Therefore, an activity cost at a standard is what is necessary for measurement, resource allocation, and evaluation. By allocating based on capacity these fluctuations can be eliminated (as long as capacity doesn't vary). Therefore, the use of operating capacity for allocating fixed overhead costs can result in better decision making.

8. (a) The allocation of the overhead to the three product categories would be as follows:

<u>Unframed prints</u>

Activity Cost Pool	Expected Use of Cost Driver	Overhead Rate	Cost Assigned
Picking prints	80,000	$0.30	$ 24,000
Inventory selection management	80,000	0.70	56,000
Website optimization	80,000	0.258	20,640
Framing and matting	na		
Total			$100,640

<u>Steel-framed prints</u>

Activity Cost Pool	Expected Use of Cost Driver	Overhead Rate	Cost Assigned
Picking prints	15,000	$0.30	$ 4,500
Inventory selection management	30,000	0.70	21,000
Website optimization	15,000	4.128	61,920
Framing and matting	30,000	2.10	63,000
Total			$150,420

CASE 2 (Continued)

Wood-framed prints with matting

Activity Cost Pool	Expected Use of Cost Driver	Overhead Rate	Cost Assigned
Picking prints	7,000	$0.30	$ 2,100
Inventory selection management	21,000	0.70	14,700
Website optimization	7,000	4.128	28,896
Framing and matting	21,000	2.10	44,100
Total			$89,796

(b) The total overhead allocated was $340,856, ($100,640 + $150,420 + $89,796). This is $34,344 less than the total overhead of $375,200. The overhead rates for website optimization and framing and matting were both determined using the capacity amount rather than the expected sales amount. The reasons for this were discussed earlier. Since expected/ actual sales were less than capacity, the overhead is underapplied. This cost of $34,344 can be viewed as the cost of operating at less than capacity. In order to reduce this amount, management should either figure out ways to increase sales or reduce fixed costs by shifting resources to other products.

Chapter Two

Challenge Exercise 1

Expands on: E2-2
LO: 1

Wunderkind Photography entered into the following transactions during February 2022.

1. Stockholders invested $5,000 in the business.
2. Bought photography equipment for a cash payment of $1,000.
3. Bought more photography equipment by signing a $500 note payable.
4. Performed photography services for $400 cash.
5. Performed photography services, and billed the customer $900 on account.
6. Collected $900 from the customer in transaction5.
7. Paid for February developing and printing, $150.
8. Advertised the business in the Platteville Journal. The $100 cost will be billed to Wunderkind.
9. Paid the advertising bill from transaction 8.
10. Paid $200 for photography supplies.
11. Received $300 cash advance payment from a customer for a photography job to be performed in April.
12. Paid $250 dividend to the stockholders.

<u>Instructions:</u>

For each transaction indicate the following:

(a) The basic type of account debited and credited (asset, liability, stockholder's equity).
(b) The specific account debited and credited (cash, rent expense, service revenue, etc.).
(c) Whether the specific account is increased or decreased.
(d) The normal balance of each specific account.

Use the following format, in which the first transaction is given as an example.

	Account Debited				Account Credited			
No.	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
1	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit

Challenge Exercise 1 – Solution

No.	Account Debited (a) Basic Type	Account Debited (b) Specific Account	Account Debited (c) Effect	Account Debited (d) Normal Balance	Account Credited (a) Basic Type	Account Credited (b) Specific Account	Account Credited (c) Effect	Account Credited (d) Normal Balance
1	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit
2	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
3	Asset	Equipment	Increase	Debit	Liability	Notes Payable	Increase	Credit
4	Asset	Cash	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
5	Asset	Accounts Receivable	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
6	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
7	Stockholders' Equity	Printing Expense	Increase	Debit	Asset	Cash	Decrease	Debit
8	Stockholders' Equity	Advertising Expense	Increase	Debit	Liability	Accounts Payable	Increase	Credit
9	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
10	Asset	Supplies	Increase	Debit	Asset	Cash	Decrease	Debit
11	Asset	Cash	Increase	Debit	Liability	Unearned Service Revenue	Increase	Credit
12	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

Challenge Exercise 2

Expands on: E2-3

LO: 2

Data for Wunderkind Photography are presented in Challenge Exercise 2-1.

Instructions:
Journalize the transactions using journal page J1. (You may omit explanations).

Challenge Exercise 2 – Solution

General Journal J1

Item	Account Titles and Explanation	Ref.	Debit	Credit
1	Cash		5,000	
	Common Stock			5,000
2	Equipment		1,000	
	Cash			1,000
3	Office Furniture		500	
	Notes Payable..			500
4	Cash....		400	
	Service Revenue			400
5	Accounts Receivable		900	
	Service Revenue			900
6	Cash....		900	
	Accounts Receivable			900
7	Printing Expense		150	
	....			
	Cash			150
8	Advertising Expense		100	
	Accounts Payable			100

Challenge Exercise 2 – Solution (Continued)

9	Accounts Payable	100	
	Cash		100
10	Supplies	200	
	Cash		200
11	Cash	300	
	Unearned Service Revenue		300
12	Dividends	250	
	Cash		250

Challenge Exercise 3

Expands on: E2-5

LO: 2

Presented here is information related to Shawshank Real Estate Agency.

Oct. 1 Pete Shawshank begins business as a real estate agent with a cash investment of $25,000 in exchange for common stock.
2 Hires an administrative assistant.
3 Purchases office furniture for $2,900, by paying $700 cash with the balance on account.
6 Sells a house and lot for N. Kidman, earning a fee of $3,600, with $600 collected in cash and the balance billed to N. Kidman.
27 Pays $900 on the balance related to the transaction of October 3.
30 Pays the administrative assistant $2,300 in salary for October.
31 Collects $1,200 of the balance owed by N. Kidman.

Instructions:

1. Journalize the transactions. (You may omit explanations.)
2. What balance would Shawshank Real Estate Agency report for Accounts Payable in its October 31 financial statements? In which category of which financial statements would it be found?
3. What balance would Shawshank Real Estate Agency report for Accounts Receivable in its October 31 financial statements? In which category of which financial statements would it be found?

Challenge Exercise 3 – Solution

1.

1	**Cash……………………………………………….**	**25,000**	
	Common Stock …………………………………		**25,000**
2	**No entry, not a transaction**		
3	**Equipment ……………………………………………**	**2,900**	
	Cash…………………………………………		**700**
	Accounts Payable ……………………………		**2,200**
6	**Cash……………………………………………………**	**600**	
	Accounts Receivable …………………………………	**3,000**	
	Service Revenue ………………………………		**3,600**
27	**Accounts Payable ……………………………………**	**900**	
	Cash ……………………………………………		**900**
30	**Salaries and Wages Expense……………………**	**2,300**	
	Cash ……………………………………………		**2,300**
31	**Cash….**	**1,200**	
	……………………………………………………		
	Accounts Receivable …………………………		**1,200**

2. The October 31 balance of Accounts Payable is $1,300 ($2,200 - $900), and would be reported in the liabilities section of the balance sheet.

3. The October 31 balance of Accounts Receivable is $1,800 ($3,000 - $1,200), and would be reported in the assets section of the balance sheet.

Challenge Exercise 4

Expands on: E2-14

LO: 2

Selected transactions for Tina Louise Company during its first month in business are presented here.

Sept. 1 Invested $20,000 cash in the business in exchange for common stock.
5 Purchased equipment for $17,000 paying $6,000 in cash and the balance on account.
11 Performed $3,900 of services for clients, collecting $1,000 cash and billing them for the remainder.
25 Paid $7,000 cash on balance owed for equipment.
29 Declared and paid a $600 cash dividend.
30 Collected $1,500 from the clients from the September 11 transactions.

The chart of accounts shows: No. 101 Cash, No. 112 Accounts Receivable, No. 157 Equipment, No. 201 Accounts Payable, No. 311 Common Stock, No. 332 Dividends, and No. 400 Service Revenue.

<u>Instructions:</u>

(a) Journalize the transactions on page J1 of the journal.

(b) Post the transactions using the standard account form.

(c) Based only on these transactions, what amount would Tina Louise report as total assets in the September 30 balance sheet?

(d) Based only on these transactions, what amount would Tina Louise report as total liabilities in the September 30 balance sheet?

Challenge Exercise 4 – Solution

(a)

General Journal **J1**

Date		Account Titles and Explanation	Ref.	Debit	Credit
Sept.	1	Cash..	101	20,000	
		Common Stock	311		20,000
	5	Equipment..	157	17,000	
		Cash	101		6,000
		Accounts Payable...............................	201		11,000
	11	Cash..	101	1,000	
		Accounts Receivable	112	2,900	
		Service Revenue.................................	400		3,900
	25	Accounts Payable.......................................	201	7,000	
		Cash	101		7,000
	29	Dividends...	332	600	
		Cash	101		600
	30	Cash..	101	1,500	
		Accounts Receivable..........................	112		1,500

(b)

Cash **No. 101**

Date		Explanation	Ref.	Debit	Credit	Balance
Sept.	1		J1	20,000		20,000
	5		J1		6,000	14,000
	11		J1	1,000		15,000
	25		J1		7,000	8,000
	29		J1		600	7,400
	30		J1	1,500		8,900

Accounts Receivable **No. 112**

Date		Explanation	Ref.	Debit	Credit	Balance
Sept.	11		J1	2,900		2,900
	30		J1		1,500	1,400

Challenge Exercise 4 – Solution (Continued)

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	17,000		17,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		11,000	11,000
25		J1	7,000		4,000

Common Stock **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		20,000	20,000

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 29		J1	600		600

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 11		J1		3,900	3,900

(c) Total assets would be $27,300 ($8,900 + $1,400 + $17,000) (cash + acc. rec. + equip).

(d) Total liabilities would be $4,000 (accounts payable).

Challenge Exercise 5

Expands on: E2-16
LO: 4

The accounts in the ledger of Sun Delivery Service contain the following balances on July 31, 2022.

Accounts Receivable	$ 8,000	Prepaid Insurance	$ 2,000
Accounts Payable	7,900	Retained Earnings	5,000
Cash	?	Service Revenue	11,000
Common Stock	42,000	Salaries and Wages Expense	?
Dividends	900	Salaries and Wages Payable	1,000
Equipment	50,000	Supplies	3,000
Gasoline and Oil Expense	800	Unearned Service Revenue	2,500
Insurance Expense	600	Maintenance and Repair Expense	1,100
Notes Payable	19,000		

Instructions:

Prepare a trial balance with the accounts arranged as illustrated in the chapter and fill in the missing amounts for Cash and Salaries Expense. Assume net income for the period is $3,500.

Challenge Exercise 5 – Solution

SUN DELIVERY SERVICE
Trial Balance
July 31, 2022

	Debit	Credit
Cash**	$17,000	
Accounts Receivable	8,000	
Supplies	3,000	
Prepaid Insurance	2,000	
Equipment	50,000	
Notes Payable		$19,000
Accounts Payable		7,900
Salaries and Wages Payable		1,000
Unearned Service Revenue		2,500
Common Stock		42,000
Retained Earnings		5,000
Dividends	900	
Service Revenue		11,000
Salaries and Wages Expense*	5,000	
Maintenance and Repair Expense	1,100	
Gasoline and Oil Expense	800	
Insurance Expense	600	
	$88,400	$88,400

*$11,000 - $1,100 - $800 - $600 - Salaries and Wages Expense = $3,500; Salaries and Wages Expense = $5,000.
**$88,400 (total credits) - $71,400 (total debits without cash) = $17,000 Cash.

CHAPTER 2

The Recording Process

ASSIGNMENT CLASSIFICATION TABLE

Learning Objectives	Questions	Brief Exercises	Do It!	Exercises	A Problems
1. Describe how accounts, debits, and credits are used to record business transactions.	1, 2, 3, 4, 5, 6, 7, 8, 9, 21	1, 2, 5	1	1, 2, 4, 6, 7	
2. Indicate how a journal is used in the recording process.	10, 11, 12, 13, 14, 16, 19	3, 4, 6	2	3, 5, 6, 7, 8, 9, 12, 13, 14, 17	1A, 2A, 3A, 5A
3. Explain how a ledger and posting help in the recording process.	15, 17	7, 8	3	10, 11, 14, 17	2A, 3A, 5A
4. Prepare a trial balance.	18, 20	9, 10	4	11, 12, 13, 15, 16, 17	2A, 3A, 4A, 5A

ANSWERS TO QUESTIONS

1. A T-account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.
LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

2. False. The terms debit and credit mean left and right respectively.
LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

3. Tom is incorrect. The double-entry system merely records the dual effect (at least two accounts are affected) of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.
LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

4. Olga is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

5. (a) Asset accounts are increased by debits and decreased by credits.
(b) Liability accounts are decreased by debits and increased by credits.
(c) Revenues, common stock, and retained earnings are increased by credits and decreased by debits. Expenses and dividends are increased by debits and decreased by credits.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

6. (a) Accounts Receivable—debit balance.
(b) Cash—debit balance.
(c) Dividends—debit balance.
(d) Accounts Payable—credit balance.
(e) Service Revenue—credit balance.
(f) Salaries and Wages Expense—debit balance.
(g) Common Stock—credit balance.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

7. (a) Accounts Receivable—asset—debit balance.
(b) Accounts Payable—liability—credit balance
(c) Equipment—asset—debit balance.
(d) Dividends—stockholders' equity—debit balance.
(e) Supplies—asset—debit balance.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

8. (a) Debit Supplies and credit Accounts Payable.
(b) Debit Cash and credit Notes Payable.
(c) Debit Salaries and Wages Expense and credit Cash.
LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

9. (1) Cash—both debit and credit entries.
(2) Accounts Receivable—both debit and credit entries.
(3) Dividends—debit entries only.
(4) Accounts Payable—both debit and credit entries.
(5) Salaries and Wages Expense—debit entries only.
(6) Service Revenue—credit entries only.

LO 1 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

10. The basic steps in the recording process are:
1. Analyze each transaction for its effect on the accounts.
2. Enter the transaction information in a journal.
3. Transfer the journal information to the appropriate accounts in the ledger.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

11. The advantages of using the journal in the recording process are:
(a) It discloses in one place the complete effects of a transaction.
(b) It provides a chronological record of all transactions.
(c) It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

12. (a) The debit should be entered first.
(b) The credit should be indented.

LO 2 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

13. When three or more accounts are required in one journal entry, the entry is referred to as a compound entry. An example of a compound entry is the purchase of equipment, part of which is paid for with cash and the remainder is on account.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

14. (a) No, business transaction debits and credits should not be recorded directly in the ledger.
(b) The advantages of using the journal are:
1. It discloses in one place the complete effects of a transaction.
2. It provides a chronological record of all transactions.
3. It helps to prevent or locate errors because the debit and credit amounts for each entry can be easily compared.

LO 2 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

15. The advantage of the last step in the posting process is to indicate that the item has been posted.

LO 3 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Reporting IMA: Reporting

16.

(a)	Cash	9,000	
	Common Stock		9,000
	(Issued shares of stock for cash)		
(b)	Prepaid Insurance	800	
	Cash		800
	(Paid one-year insurance policy)		

(c)	Supplies	2,000	
	Accounts Payable		2,000
	(Purchased supplies on account)		
(d)	Cash	7,800	
	Service Revenue		7,800
	(Received cash for services rendered)		

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and stockholders' equity accounts, is referred to collectively as the ledger.

(b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO 3 BT: C Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Reporting IMA: Reporting

18. A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. A trial balance also facilitates the discovery of errors in journalizing and posting. In addition, it is useful in preparing financial statements.

LO 4 BT: C Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

19. No, Juan is not correct. The proper sequence is as follows:
(b) A business transaction occurs.
(c) Information is entered in the journal.
(a) Debits and credits are posted to the ledger.
(e) The trial balance is prepared.
(d) Financial statements are prepared.

LO 2 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

20. (a) The trial balance would balance.
(b) The trial balance would not balance.

LO 4 BT: AN Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

21. The normal balances are Cash debit, Accounts Payable credit, and Interest Expense debit.

LO 1 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Reporting IMA: Reporting

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 2.1

		(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1.	Accounts Payable	Decrease	Increase	Credit
2.	Advertising Expense	Increase	Decrease	Debit
3.	Service Revenue	Decrease	Increase	Credit
4.	Accounts Receivable	Increase	Decrease	Debit
5.	Common Stock	Decrease	Increase	Credit
6.	Dividends	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.2

	Account Debited	Account Credited
June 1	Cash	Common Stock
2	Equipment	Accounts Payable
3	Rent Expense	Cash
12	Accounts Receivable	Service Revenue

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.3

June 1	Cash	4,000	
	Common Stock		4,000
2	Equipment	1,200	
	Accounts Payable		1,200
3	Rent Expense	800	
	Cash		800
12	Accounts Receivable	300	
	Service Revenue		300

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.4

The basic steps in the recording process are:

1. **Analyze each transaction. In this step, business documents are examined to determine the effects of the transaction on the accounts.**

2. **Enter each transaction in a journal. This step is called journalizing and it results in making a chronological record of the transactions.**

3. **Transfer journal information to ledger accounts. This step is called posting. Posting makes it possible to accumulate the effects of journalized transactions on individual accounts.**

LO 2 BT: C Difficulty: Moderate TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.5

		(a) Effect on Accounting Equation	(b) Debit-Credit Analysis
Aug.	**1**	**The asset Cash is increased; the stockholders' equity account Common Stock is increased.**	**Debits increase assets: debit Cash $5,000. Credits increase stockholders' equity: credits Common Stock $5,000.**
	4	**The asset Prepaid Insurance is increased; the asset Cash is decreased.**	**Debits increase assets: debit Prepaid Insurance $1,800. Credits decrease assets: credit Cash $1,800.**
	16	**The asset Cash is increased; the revenue Service Revenue is increased.**	**Debits increase assets: debit Cash $1,900. Credits increase revenues: credit Service Revenue $1,900.**
	27	**The expense Salaries and Wages Expense is increased; the asset Cash is decreased.**	**Debits increase expenses: debit Salaries and Wages Expense $1,000. Credits decrease assets: credit Cash $1,000.**

LO 1 BT: C Difficulty: Moderate TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.6

Aug.	1	Cash	5,000	
		Common Stock		5,000
	4	Prepaid Insurance	1,800	
		Cash		1,800
	16	Cash	1,900	
		Service Revenue		1,900
	27	Salaries and Wages Expense	1,000	
		Cash		1,000

LO 2 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.7

Cash

5/12	2,100		
5/15	3,200		
Bal.	5,300		

Service Revenue

		5/5	5,000
		5/15	3,200
		Bal.	8,200

Accounts Receivable

5/5	5,000	5/12	2,100
Bal.	2,900		

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.8

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	2,100		2,100
15		J1	3,200		5,300

BRIEF EXERCISE 2.8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,000		5,000
12		J1		2,100	2,900

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,000	5,000
15		J1		3,200	8,200

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.9

FAVRE COMPANY
Trial Balance
June 30, 2022

	Debit	Credit
Cash	$ 5,200	
Accounts Receivable	3,000	
Equipment	17,000	
Accounts Payable		$ 7,000
Common Stock		20,000
Dividends	800	
Service Revenue		6,000
Salaries and Wages Expense	6,000	
Rent Expense	1,000	
	$33,000	$33,000

(Credit tot. = Accts. pay. + Com. stk. + Serv. rev.)

LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Reporting IMA: Reporting

BRIEF EXERCISE 2.10

ERIKA COMPANY
Trial Balance
December 31, 2022

	Debit	Credit
Cash	$16,800	
Prepaid Insurance	3,500	
Accounts Payable		$ 3,000
Unearned Service Revenue		4,200
Common Stock		13,000
Dividends	4,500	
Service Revenue		25,600
Salaries and Wages Expense	18,600	
Rent Expense	2,400	
	$45,800	$45,800

(Credit tot. = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

SOLUTIONS FOR DO IT! REVIEW EXERCISES

DO IT! 2.1

James would likely need the following accounts in which to record the transactions necessary to ready his photography studio for opening day:

Cash (debit balance)
Supplies (debit balance)
Equipment (debit balance)
Notes Payable (credit balance)
Accounts Payable (credit balance)
Common Stock (credit balance)

LO 1 BT: C Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Reporting IMA: Reporting

DO IT! 2.2

Each transaction that is recorded is entered in the general journal. The three activities would be recorded as follows:

1.	**Cash ....**	**8,000**	
	Common Stock		**8,000**
2.	**Supplies ....**	**1,600**	
	Cash...		**300**
	Accounts Payable...............................		**1,300**

3. No entry because no transaction has occurred.

LO 2 BT: AP Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

DO IT! 2.3

Cash			
4/1	**1,600**	**4/16**	**600**
4/3	**3,900**	**4/20**	**500**
4/30	**4,400**		

LO 3 BT: AP Difficulty: Easy TOT: 3 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

DO IT! 2.4

CHILLIN' COMPANY
Trial Balance
December 31, 2022

	Debit	Credit
Cash	$ 6,000	
Accounts Receivable	8,000	
Supplies	5,000	
Equipment	76,000	
Notes Payable		$ 20,000
Accounts Payable		9,000
Salaries and Wages Payable		3,000
Common Stock		25,000
Dividends	8,000	
Service Revenue		86,000
Rent Expense	2,000	
Salaries and Wages Expense	38,000	
	$143,000	$143,000

LO 4 BT: AP Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

SOLUTIONS TO EXERCISES

EXERCISE 2.1

1. **False. An account is an accounting record of a specific asset, liability, *or stockholders' equity item*.**

2. **False. An account shows *increases and decreases* in the item it relates to.**

3. **False. Each asset, liability, and *stockholders'* equity item *has a separate account*.**

4. **False. An account has a left, or *debit* side, and a right, or *credit* side.**

5. **True.**

LO 1 BT: K Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.2

Transaction	Account Debited				Account Credited			
	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance	(a) Basic Type	(b) Specific Account	(c) Effect	(d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
16	Stockholders' Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 10 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.3

General Journal					J1
Date		**Account Titles and Explanation**	**Ref.**	**Debit**	**Credit**
Jan.	2	Cash		15,000	
		Common Stock			15,000
	3	Equipment		8,200	
		Cash			8,200
	9	Supplies		500	
		Accounts Payable			500
	11	Accounts Receivable		1,800	
		Service Revenue			1,800
	16	Advertising Expense		200	
		Cash			200
	20	Cash		780	
		Accounts Receivable			780
	23	Accounts Payable		300	
		Cash			300
	28	Dividends		500	
		Cash			500

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.4

Oct. 1 Debits increase assets: debit Cash $20,000.
Credits increase stockholders' equity: credit Common Stock $20,000.

2 No transaction.

3 Debits increase assets: debit Equipment $2,300.
Credits increase liabilities: credit Accounts Payable $2,300.

6 Debits increase assets: debit Accounts Receivable $3,600.
Credits increase revenues: credit Service Revenue $3,600.

27 Debits decrease liabilities: debit Accounts Payable $850.
Credits decrease assets: credit Cash $850.

30 Debits increase expenses: debit Salaries and Wages Expense $2,500.
Credits decrease assets: credit Cash $2,500.

LO 1 BT: C Difficulty: Easy TOT: 6 min. AACSB: None AICPA FC: Reporting IMA: Reporting

EXERCISE 2.5

General Journal

Date		Account Titles	Ref.	Debits	Credit
Oct.	1	Cash		20,000	
		Common Stock			20,000
	2	No entry.			
	3	Equipment		2,300	
		Accounts Payable			2,300
	6	Accounts Receivable.......................		3,600	
		Service Revenue			3,600
	27	Accounts Payable............................		850	
		Cash...			850
	30	Salaries and Wages Expense		2,500	

Cash.. 2,500

LO 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.6

(a) 1. Increase the asset Cash, increase the liability Notes Payable.
2. Increase the asset Equipment, decrease the asset Cash.
3. Increase the asset Supplies, increase the liability Accounts Payable.

(b)	1.	Cash	5,000	
		Notes Payable		5,000
	2.	Equipment	2,500	
		Cash		2,500
	3.	Supplies	450	
		Accounts Payable		450

LO 1, 2 BT: AP Difficulty: Easy TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.7

(a) Assets = Liabilities + Stockholders' Equity

	Assets	Stockholders' Equity	
1.	+	+	(Issue stock)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Dividends)

(b)	1.	Cash	5,000	
		Common Stock		5,000
	2.	Rent Expense	950	
		Cash		950
	3.	Accounts Receivable	4,700	
		Service Revenue		4,700
	4.	Dividends	600	
		Cash		600

LO 1, 2 BT: AP Difficulty: Easy TOT: 8min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.8

General Journal

Date		Account Titles	Debit	Credit
March	1	Rent Expense	1,200	
		Cash		1,200
	3	Accounts Receivable	140	
		Service Revenue		140
	5	Cash	75	
		Service Revenue		75
	8	Equipment	600	
		Cash		80
		Accounts Payable		520
	12	Cash	140	
		Accounts Receivable		140
	14	Salaries and Wages Expense	525	
		Cash		525
	22	Utilities Expense	72	
		Cash		72
	24	Cash	1,500	
		Notes Payable		1,500
	27	Repairs Expense	220	
		Cash		220
	28	Accounts Payable	520	
		Cash		520
	30	Prepaid Insurance	1,800	
		Cash		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.9

Trans.	Account Titles	Debit	Credit
1.	Cash	24,000	
	Common Stock		24,000
2.	Cash	7,000	
	Notes Payable		7,000
3.	Equipment	11,000	
	Cash		11,000
4.	Rent Expense	1,200	
	Cash		1,200
5.	Supplies	1,450	
	Cash		1,450
6.	Advertising Expense	600	
	Accounts Payable		600
7.	Cash	2,000	
	Accounts Receivable	16,000	
	Service Revenue		18,000
8.	Dividends	400	
	Cash		400
9.	Utilities Expense	2,000	
	Cash		2,000
10.	Accounts Payable	600	
	Cash		600
11.	Interest Expense	40	
	Cash		40
12.	Salaries and Wages Expense	6,400	
	Cash		6,400
13.	Cash	12,000	
	Accounts Receivable		12,000

LO 2 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.10

1. **False. The general ledger contains all the asset, liability, *and stockholders' equity* accounts.**
2. **True.**
3. **False. The accounts in the general ledger are arranged in *financial statement order:* first the assets, then the liabilities, common stock, retained earnings, dividends, revenues, and expenses.**
4. **True.**
5. **False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.**

LO 3 BT: C Difficulty: Easy TOT: 4 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.11

(a)

Cash

Aug. 1	6,000	Aug. 12	800
10	2,700		
31	880		
Bal.	8,780		

Notes Payable

		Aug. 12	4,200

Common Stock

		Aug. 1	6,000

Accounts Receivable

Aug. 25	1,600	Aug. 31	880
Bal.	720		

Service Revenue

		Aug. 10	2,700
		25	1,600
		Bal.	4,300

Equipment

Aug. 12	5,000		

(b)

KATI TILLMAN, INVESTMENT BROKER
Trial Balance
August 31, 2022

	Debit	Credit
Cash..	$ 8,780	
Accounts Receivable...	720	
Equipment...	5,000	
Notes Payable..		$ 4,200
Common Stock..		6,000
Service Revenue...		4,300
	$14,500	$14,500

LO 3, 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.12

(a)

General Journal

Date	Account Titles	Ref.	Debit	Credit
Apr. 1	Cash		10,000	
	Common Stock............................			10,000
	(Issued common stock for cash)			
12	Cash		900	
	Service Revenue			900
	(Received cash for services provided)			
15	Salaries and Wages Expense		720	
	Cash			720
	(Paid salaries to date)			
25	Accounts Payable		1,500	
	Cash			1,500
	(Paid creditors on account)			
29	Cash		400	
	Accounts Receivable			400
	(Received cash in payment of account)			
30	Cash		1,000	
	Unearned Service Revenue			1,000
	(Received cash for future services)			

EXERCISE 2.12 (Continued)

(b) **SANTANA LANDSCAPING COMPANY**
Trial Balance
April 30, 2022

	Debit	Credit
Cash	$10,080	
Accounts Receivable	2,800	
Supplies	1,800	
Accounts Payable		$ 300
Unearned Service Revenue		1,000
Common Stock		10,000
Service Revenue		4,100
Salaries and Wages Expense	720	
	$15,400	$15,400

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.13

			Debit	Credit
(a)	Oct. 1	Cash	5,000	
		Common Stock		5,000
		(Issued common stock for cash)		
	10	Cash	730	
		Service Revenue		730
		(Received cash for services provided)		
	10	Cash	3,000	
		Notes Payable		3,000
		(Obtained loan from bank)		
	20	Cash	500	
		Accounts Receivable		500
		(Received cash in payment of account)		
	20	Accounts Receivable	910	
		Service Revenue		910
		(Billed clients for services provided)		

EXERCISE 2.13 (Continued)

(b)

HIGGS CO.
Trial Balance
October 31, 2022

	Debit	Credit
Cash	$ 8,250	
Accounts Receivable	1,210	
Supplies	400	
Equipment	2,000	
Notes Payable		$ 3,000
Accounts Payable		500
Common Stock		7,000
Dividends	300	
Service Revenue		2,440
Salaries and Wages Expense	500	
Rent Expense	280	
	$12,940	$12,940

(Tot. credits = Notes pay. + Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 4 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.14

(a)

General Journal **J1**

Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash	101	10,000	
	Common Stock	311		10,000
5	Equipment	157	12,000	
	Cash	101		4,000
	Accounts Payable	201		8,000
25	Accounts Payable	201	2,400	
	Cash	101		2,400
30	Dividends	332	500	
	Cash	101		500

EXERCISE 2.14 (Continued)

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		2,400	3,600
30		J1		500	3,100

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	12,000		12,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		8,000	8,000
25		J1	2,400		5,600

Common Stock **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		10,000	10,000

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	500		500

LO 2, 3 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.15

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$450	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	300	Credit
5.	Yes	—	—
6.	No	27	Debit

LO 4 BT: AN Difficulty: Moderate TOT: 6 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.16

TIME IS MONEY DELIVERY SERVICE
Trial Balance
July 31, 2022

	Debit	Credit
Cash ($90,907 – Debit total without Cash $69,340)	$21,567	
Accounts Receivable	10,642	
Prepaid Insurance	1,968	
Equipment	49,360	
Notes Payable		$26,450
Accounts Payable		8,396
Salaries and Wages Payable		815
Common Stock		40,000
Retained Earnings		4,636
Dividends	700	
Service Revenue		10,610
Salaries and Wages Expense	4,428	
Maintenance and Repairs Expense	961	
Gasoline Expense	758	
Utilities Expense	523	
	$90,907	$90,907

LO 4 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

EXERCISE 2.17
(a)

Date		Account Titles	Debit	Credit
Oct.	1	Cash	66,000	
		Common Stock		66,000
	2	No entry		
	4	Rent Expense	2,000	
		Cash		2,000
	7	Equipment	18,000	
		Cash		4,000
		Accounts Payable		14,000
	8	Advertising Expense	500	
		Cash		500
	10	Maintenance and Repairs Expense	390	
		Accounts Payable		390
	12	Accounts Receivable	3,200	
		Service Revenue		3,200
	16	Supplies	410	
		Accounts Payable		410
	21	Accounts Payable	14,000	
		Cash		14,000
	24	Utilities Expense	148	
		Cash		148
	27	Cash	3,200	
		Accounts Receivable		3,200
	31	Salaries and Wages Expense	5,100	
		Cash		5,100

EXERCISE 2.17 (Continued)

(b)

Cash

10/1	66,000	10/4	2,000
10/27	3,200	10/7	4,000
		10/8	500
		10/21	14,000
		10/24	148
		10/31	5,100
Bal.	43,452		

Accounts Receivable

10/12	3,200	10/27	3,200

Supplies

10/16	410		
Bal.	410		

Equipment

10/7	18,000		
Bal.	18,000		

Accounts Payable

10/21	14,000	10/7	14,000
		10/10	390
		10/16	410
		Bal.	800

Common Stock

		10/1	66,000
		Bal.	66,000

Service Revenue

		10/12	3,200
		Bal.	3,200

Advertising Expense

10/8	500		
Bal.	500		

Salaries and Wages Expense

10/31	5,100		
Bal.	5,100		

Maintenance & Repairs Expense

10/10	390		
Bal.	390		

Rent Expense

10/4	2,000		
Bal.	2,000		

Utilities Expense

10/24	148		
Bal.	148		

(c)

BEYERS CORPORATION
Trial Balance
October 31, 2022

	Debit	Credit
Cash	$43,452	
Supplies	410	
Equipment	18,000	
Accounts Payable		$ 800
Common Stock		66,000
Service Revenue		3,200
Advertising Expense	500	
Salaries and Wages Expense	5,100	
Maintenance and Repairs Expense	390	
Rent Expense	2,000	
Utilities Expense	148	
	$70,000	$70,000

(Tot. credits = Accts. pay. + Com. stk. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Hard TOT: 20 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

SOLUTIONS TO PROBLEMS

PROBLEM 2.1A

J1

Date	Account Titles	Ref.	Debit	Credit
Apr. 1	Cash		50,000	
	Common Stock			50,000
	(Issued common stock for cash)			
4	Land		34,000	
	Cash			34,000
	(Purchased land for cash)			
8	Advertising Expense		1,800	
	Accounts Payable			1,800
	(Incurred advertising expense on account)			
11	Salaries and Wages Expense		1,500	
	Cash			1,500
	(Paid salaries)			
12	No entry—Not a transaction.			
13	Prepaid Insurance		2,400	
	Cash			2,400
	(Paid for one-year insurance policy)			
17	Dividends		1,400	
	Cash			1,400
	(Declared and paid cash dividends)			
20	Cash		5,700	
	Service Revenue			5,700
	(Received cash for services provided)			

PROBLEM 2.1A (Continued)

Date	Account Titles	Ref.	Debit	Credit
Apr. 25	Cash		3,000	
	Unearned Service Revenue............			3,000
	(Received cash for future services)			
30	Cash		8,900	
	Service Revenue			8,900
	(Received cash for services provided)			
30	Accounts Payable		840	
	Cash			840
	(Paid creditor on account)			

LO 2 BT: AP Difficulty: Easy TOT: 25 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.2A

(a)

J1

Date	Account Titles	Ref.	Debit	Credit
May 1	Cash	101	20,000	
	Common Stock	311		20,000
	(Issued common stock for cash)			
2	No entry—not a transaction.			
3	Supplies	126	1,500	
	Accounts Payable	201		1,500
	(Purchased supplies on account)			
7	Rent Expense	729	900	
	Cash	101		900
	(Paid office rent)			
11	Accounts Receivable	112	2,800	
	Service Revenue	400		2,800
	(Billed client for services provided)			
12	Cash	101	3,500	
	Unearned Service Revenue	209		3,500
	(Received cash for future services)			
17	Cash	101	1,200	
	Service Revenue	400		1,200
	(Received cash for services provided)			
31	Salaries and Wages Expense	726	2,000	

Cash	**101**	**2,000**
(Paid salaries)		

PROBLEM 2.2A (Continued)

Date	Account Titles	Ref.	Debit	Credit
May 31	Accounts Payable ($1,500 X 40%)	201	600	
	Cash	101		600
	(Paid creditor on account)			

(b)

Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1	20,000		20,000
7		J1		900	19,100
12		J1	3,500		22,600
17		J1	1,200		23,800
31		J1		2,000	21,800
31		J1		600	21,200

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1	2,800		2,800

Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1	1,500		1,500

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
May 3		J1		1,500	1,500
31		J1	600		900

Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1		3,500	3,500

PROBLEM 2.2A (Continued)

Common Stock No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
May 1		J1		20,000	20,000

Service Revenue No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
May 11		J1		2,800	2,800
17		J1		1,200	4,000

Salaries and Wages Expense No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
May 31		J1	2,000		2,000

Rent Expense No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
May 7		J1	900		900

(c)

JULIA DUMARS, INC.
Trial Balance
May 31, 2022

	Debit	Credit
Cash	$21,200	
Accounts Receivable	2,800	
Supplies	1,500	
Accounts Payable		$ 900
Unearned Service Revenue		3,500
Common Stock		20,000
Service Revenue		4,000
Salaries and Wages Expense	2,000	
Rent Expense	900	
	$28,400	$28,400

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

LO 2,3,4 BT: AP Difficulty: Easy TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.3A

(a) & (c)

Cash

Bal.	8,000		
		(1)	1,000
		(3)	1,700
(4)	13,000		
		(5)	14,400
(6)	5,000		
		(7)	3,000
		(8)	1,600
Bal.	4,300		

Accounts Receivable

Bal.	15,000		
		(4)	13,000
(6)	9,000		
Bal.	11,000		

Supplies

Bal.	11,000		
(2)	3,600		
Bal.	14,600		

Prepaid Rent

Bal.	3,000		
Bal.	3,000		

Equipment

Bal.	21,000		
Bal.	21,000		

Accounts Payable

		Bal.	17,000
		(2)	3,600
(5)	14,400		
		Bal.	6,200

Common Stock

		Bal.	30,000
		Bal.	30,000

Retained Earnings

		Bal.	11,000
		Bal.	11,000

Dividends

(8)	1,600		
Bal.	1,600		

Service Revenue

		(6)	14,000
		Bal.	14,000

Advertising Expense

(1)	1,000		
Bal.	1,000		

Miscellaneous Expense

(3)	1,700		
Bal.	1,700		

Salaries and Wages Expense

(7)	3,000		
Bal.	3,000		

PROBLEM 2.3A (Continued)

(b)

Trans.	Account Titles	Debit	Credit
1.	Advertising Expense	1,000	
	Cash		1,000
2.	Supplies	3,600	
	Accounts Payable		3,600
3.	Miscellaneous Expense	1,700	
	Cash		1,700
4.	Cash	13,000	
	Accounts Receivable		13,000
5.	Accounts Payable	14,400	
	Cash		14,400
6.	Cash	5,000	
	Accounts Receivable	9,000	
	Service Revenue		14,000
7.	Salaries and Wages Expense	3,000	
	Cash		3,000
8.	Dividends	1,600	
	Cash		1,600

PROBLEM 2.3A (Continued)

(d) **TABLETTE REPAIR SERVICE, INC.**
Trial Balance
January 31, 2022

	Debit	Credit
Cash	$ 4,300	
Accounts Receivable	11,000	
Supplies	14,600	
Prepaid Rent	3,000	
Equipment	21,000	
Accounts Payable		$ 6,200
Common Stock		30,000
Retained Earnings		11,000
Dividends	1,600	
Service Revenue		14,000
Advertising Expense	1,000	
Miscellaneous Expense	1,700	
Salaries and Wages Expense	3,000	
	$61,200	$61,200

(Tot. credits = Accts. pay. + Com. stk. + Ret. earn. + Serv. rev.)

LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.4A

DOMINIC COMPANY
Trial Balance
May 31, 2022

	Debit	Credit
Cash ($3,850 + $520 – $405)	$ 3,965	
Accounts Receivable ($2,570 – $420)	2,150	
Prepaid Insurance ($700 + $100)	800	
Supplies ($0 + $520)	520	
Equipment ($12,000 – $520)	11,480	
Accounts Payable ($4,500 – $100 + $520 – $420)		$ 4,500
Unearned Service Revenue		560
Common Stock ($11,700 + $1,000)		12,700
Dividends ($0 + $1,000)	1,000	
Service Revenue		8,960
Salaries and Wages Expense ($4,200 + $200)	4,400	
Advertising Expense ($1,100 + $405)	1,505	
Utilities Expense ($800 + $100)	900	
	$26,720	$26,720

(Tot. credits = Accts. pay. + Unearn. serv. rev. + Com. stk. + Serv. rev.)

(Tot. credits = $4,500 + $560 + $12,700 + $8,960)

LO 4 BT: AN Difficulty: Moderate TOT: 35 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

PROBLEM 2.5A

(a) & (c)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000
2		J1		800	5,200
9		J1	1,800		7,000
10		J1		3,000	4,000
12		J1		320	3,680
25		J1	5,200		8,880
29		J1		1,600	7,280
30		J1	90		7,370
30		J1		1,000	6,370

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	90		90

Prepaid Rent **No. 136**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	1,000		1,000

Land **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			12,000

Buildings **No. 145**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			8,000

PROBLEM 2.5A (Continued)

Equipment — No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			6,000

Accounts Payable — No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			2,000
10		J1	1,000		1,000
20		J1		950	1,950

Mortgage Payable — No. 275

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			10,000
10		J1	2,000		8,000

Common Stock — No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1	Balance	✓			20,000

Service Revenue — No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 9		J1		1,800	1,800
25		J1		5,200	7,000

Rent Revenue — No. 429

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1		180	180

PROBLEM 2.5A (Continued)

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 12		J1	320		320

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 29		J1	1,600		1,600

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	800		800
20		J1	950		1,750

(b)

J1

Date	Account Titles	Ref.	Debit	Credit
Apr. 2	Rent Expense......................................	729	800	
	Cash	101		800
	(Paid film rental)			
3	No entry—not a transaction.			
9	Cash	101	1,800	
	Service Revenue........................	400		1,800
	(Received cash for services provided)			
10	Mortgage Payable...............................	275	2,000	
	Accounts Payable	201	1,000	
	Cash	101		3,000
	(Made payments on mortgage and accounts payable)			

PROBLEM 2.5A (Continued)

Date	Account Titles	Ref.	Debit	Credit
Apr. 11	No entry—not a transaction.			
12	Advertising Expense	610	320	
	Cash	101		320
	(Paid advertising expenses)			
20	Rent Expense	729	950	
	Accounts Payable	201		950
	(Rented film on account)			
25	Cash	101	5,200	
	....	400		5,200
	....			
	Service Revenue			
	(Received cash for services provided)			
29	Salaries and Wages Expense............	726	1,600	
	Cash	101		1,600
	(Paid salaries expense)			
30	Cash	101	90	
	....	112	90	
	....	429		180
	Accounts Receivable..........................			
	Rent Revenue			
	(18% X $1,000)			
	(Received cash and balance on account for concession revenue)			
30	Prepaid Rent.......................................	136	1,000	
	Cash	101		1,000
	(Paid cash for future film rentals)			

PROBLEM 2.5A (Continued)

(d)

PALACE THEATER
Trial Balance
April 30, 2022

	Debit	Credit
Cash	$ 6,370	
Accounts Receivable	90	
Prepaid Rent	1,000	
Land	12,000	
Buildings	8,000	
Equipment	6,000	
Accounts Payable		$ 1,950
Mortgage Payable		8,000
Common Stock		20,000
Service Revenue		7,000
Rent Revenue		180
Advertising Expense	320	
Salaries and Wages Expense	1,600	
Rent Expense	1,750	
	$37,130	$37,130

(Tot. credits = Accts. pay. + Mortg. pay. + Com. stk. + Serv. rev. + Rent rev.)

LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

CT 2.1 FINANCIAL REPORTING PROBLEM

(a)

Account	(1) Increase Side	(1) Decrease Side	(2) Normal Balance
Accounts Payable	Credit	Debit	Credit
Accounts Receivable	Debit	Credit	Debit
Property, Plant, and Equipment	Debit	Credit	Debit
Cash and Cash Equivalents	Debit	Credit	Debit
Research and Development Expense	Debit	Credit	Debit
Inventories	Debit	Credit	Debit

(b) 1. Cash is increased.
2. Cash is decreased.
3. Cash is decreased or Accounts Payable is increased.

(c) 1. Cash is decreased or Accounts Payable is increased.
2. Cash is decreased or Notes or Mortgage Payable is increased.

LO 1 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT 2.2 COMPARATIVE ANALYSIS PROBLEM

(a)

PepsiCo			Coca-Cola		
1.	Inventory:	debit	1.	Accounts Receivable:	debit
2.	Property, Plant & Equipment:	debit	2.	Cash and Cash Equivalents:	debit
3.	Accounts Payable:	credit	3.	Cost of Goods Sold(expense):	debit
4.	Interest Expense:	debit	4.	Sales (revenue)	credit

(b)

1. **Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).**
2. **Decrease in Salaries and Wages Payable: Cash is decreased (credited).**
3. **Increase in Property, Plant and Equipment: Cash is decreased (credited) or Accounts Payable or Notes payable is increased (credited).**
4. **Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).**

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT 2.3 COMPARATIVE ANALYSIS PROBLEM

(a)

	Amazon		Wal-Mart	
1.	Interest Expense:	debit	1. Product Revenues:	credit
2.	Cash and Cash Equivalents:	debit	2. Inventories:	debit
3.	Accounts Payable:	credit	3. Cost of Sales:	debit

(b) The following other accounts are ordinarily involved:

1. Increase in Accounts Receivable: Service Revenue or Sales Revenue is increased (credited).
2. Increase in Interest Expense: Cash is decreased (credited) or Interest Payable is increased (credited).
3. Decrease in Salaries and Wages Payable: Cash is decreased (credited).
4. Increase in Service Revenue: Cash or Accounts Receivable is increased (debited).

LO 1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Reporting IMA: Reporting

CT 2.4 REAL–WORLD FOCUS

The answer is dependent upon the company selected by the student.

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication IMA: Information Management

CT 2.5	REAL–WORLD FOCUS

(a) The reason the Green Bay Packers' issue an annual report is because they are a publicly owned, nonprofit company. It issues the report to more than 100,000 shareholders who hold shares. None of the other teams are publicly owned, so they have no obligation to make their financial information available except to their small group of owners.

(b) At the time that the article was written the owners of the NFL teams and the players' labor union were negotiating a new contract. Knowing how profitable the NFL teams are would be useful information for the players to know so that they would have a better sense of how much the teams could afford to pay. The Packers is obviously a "small market" team; it is not necessarily representative of teams in general. However, the Packers' annual report does give the players some sense of the profitability of other teams.

(c) Since some of the cost of the stadium that the Packers play in is covered by taxpayers, the county and state governments have an interest in the team's finances.

(d) The Packers' revenues increased during recent years. However, because the cost of players' salaries increased at a faster rate than revenues, the Packers' operating profit actually declined.

LO N/A BT: AP, S Difficulty: Moderate TOT: 20 min. AACSB: Analytic, Technology AICPA PC: Communication IMA: Information Management

CT 2.6 DECISION-MAKING ACROSS THE ORGANIZATION

(a)

May 1	Correct.		
5	Correct.		
7	Cash	300	
	Unearned Service Revenue		300
14	Equipment	800	
	Cash		800
15	Dividends	400	
	Cash		400
20	Cash	184	
	Service Revenue		184
30	Correct.		
31	Supplies	1,700	
	Accounts Payable		1,700

(b) The errors in the entries of May 14 and 20 would prevent the trial balance from balancing.

(c)

Net income as reported	$4,500
Add: 5/15, Salaries expense (Dividends paid)	400
	4,900
Less: 5/7, Boarding revenue unearned	300
Correct net income	$4,600

(d)

Cash as reported		$12,475
Add: 5/20, Transposition error	$ 36	
5/31, Purchase on account	1,700	1,736
		$14,211

LO 2, 4 BT: AN Difficulty: Hard TOT: 45 min. AACSB: Analytic AICPA FC: Reporting IMA: Reporting

CT 2.7 COMMUNICATION ACTIVITY

Date: May 25, 2022

To: Accounting Instructor

From: Student

In the first transaction, bills totaling $6,000 were sent to customers for services performed. Therefore, the asset Accounts Receivable is increased $6,000 and the revenue Service Revenue is increased $6,000. Debits increase assets and credits increase revenues, so the journal entry is:

Accounts Receivable	6,000	
Service Revenue		6,000
(Billed customers for services performed)		

The $6,000 amount is then posted to the debit side of the general ledger account Accounts Receivable and to the credit side of the general ledger account Service Revenue.

In the second transaction, $2,000 was paid in salaries to employees. Therefore, the expense Salaries and Wages Expense is increased $2,000 and the asset Cash is decreased $2,000. Debits increase expenses and credits decrease assets, so the journal entry is:

Salaries and Wages Expense	2,000	
Cash		2,000
(Salaries and wages paid)		

The $2,000 amount is then posted to the debit side of the general ledger account Salaries and Wages Expense and to the credit side of the general ledger account Cash.

LO 2 BT: AP Difficulty: Easy TOT: 10 min. AACSB: Analytic, Communication AICPA FC: Reporting AICPA PC: Communication IMA: Reporting

CT 2.8 ETHICS CASE

(a) The stakeholders in this situation are:

- **Meredith Ward, assistant chief accountant.**
- **Users of the company's financial statements.**
- **The Frazier Company.**

(b) By adding $1,000 to the Equipment account, that account total is intentionally misstated. By not locating the error causing the imbalance, some other account may also be misstated by $1,000. If the amount of $1,000 is determined to be immaterial, and the intent is not to commit fraud (cover up an embezzlement or other misappropriation of assets), Meredith's action might not be considered unethical in the preparation of interim financial statements. However, if Meredith is violating a company accounting policy by her action, then she is acting unethically.

(c) Meredith's alternatives are:

1. **Miss the deadline but find the error causing the imbalance.**

2. **Tell her supervisor of the imbalance and suffer the consequences.**

3. **Do as she did and locate the error later, making the adjustment in the next quarter.**

LO 4 BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications

CT 2.9	ETHICS CASE

The decision whether to fire Mr. Edmondson was the responsibility of Radio Shack's board of directors, which is elected by the company's shareholders to oversee management. The board initially announced its support for the CEO. After further investigation, the board encouraged Mr. Edmondson to resign, which he did. In contrast, when Bausch & Lomb's CEO offered to resign in a similar situation, the company's board refused to accept his resignation. Board members stated that they felt he was still the best person for the position.

Radio Shack says that although it did a reference check at the time of Mr. Edmondson's hiring, it did not check his educational credentials. Under the Sarbanes-Oxley Act, companies must now perform thorough background checks as part of a check of internal controls. The bottom line: your résumé must be a fair and accurate depiction of your past.

LO A/N BT: E Difficulty: Moderate TOT: 10 min. AACSB: Ethics AICPA PC: Professional Demeanor IMA: Business Applications

CT 2.10 ALL ABOUT YOU

(a) Students' responses to this question will vary. It is important that the steps that they identify be as specific as possible, and clearly directed toward achieving their goal. You may wish to ask a follow-up question asking them to explain how each step will assist them in achieving their goal.

(b) There are many sites on the Internet that provide information about preparing a résumé. For example, you can find extensive resources at: http://www.rileyguide.com/resprep.html. Many schools also have resources in their placement centers or writing labs. The Writing Center at Rensselaer Polytechnic Institute provides useful, concise information on its website at http://www.ccp.rpi.edu/resources/careers-and-graduate-school/resumes. A wide variety of sample résumés can be found. For example, Monster.com provides samples for a wide variety of professions and situations at http://www.career-advice.monster.com/resumes-cover-letters/resume-samples/jobs.aspx.

(c) It is important to provide accurate and complete documentation of all relevant training, education, and employment experiences so as to provide assurance to the potential employer, and also to enable that employer to do follow-up work. If you say you have certain skills, such as computer skills, try to substantiate the claim with recognized proof of proficiency. Make sure that all addresses and phone numbers are accurate and up-to-date. Also, ensure that the people you use as references have a copy of your résumé and cover letter, and that they are informed that you are interviewing so they know to expect a call.

(d) See the sample résumés provided in the websites above for various format options. You might also mention to students that there are electronic résumé templates available on the Internet.

LO N/A BT: E Difficulty: Moderate TOT: 45 min. AACSB: Communication, Reflective Thinking AICPA PC: Communication IMA: Information Management

CT 2.11 CONSIDERING PEOPLE, PLANET AND PROFIT

(a) The existence of three different forms of certification would most likely create confusion for coffee purchasers. It would be difficult to know what aspects of the coffee growing process each certification covered. Similarly, if there were multiple groups that certified financial statements, each with different criteria, it would be difficult for financial statement users to know what each certification promised.

(b) The Starbucks certification appears to be the most common in that area. It has the advantage of having a direct link to the Starbucks coffee market. Although it does not guarantee that Starbucks will buy its coffee, it is a requirement that must be met before Starbucks will buy somebody's coffee. Note that the article states that the Starbucks certification "Incorporates elements of social responsibility and environmental leadership, but quality of coffee is the first criteria." The Smithsonian Bird Friendly is considered to have the strictest requirements and, as a result, appears to be the least common.

(c) The certifications have multiple objectives including organic farming as a means to protect bird species, biodiversity and wildlife habitat. Some included requirements are to improve workers' living conditions, such as providing running water in worker housing, child labor regulations and education requirements. As mentioned above, the Starbucks certification has the potential financial benefit of making Starbucks a potential customer, which can stabilize farmers' earnings. Certifications can also be financially beneficial because companies can benefit from the positive relations effects of either producing or buying coffee produced using sustainable practices.

LO N/A BT: S Difficulty: Moderate TOT: 40 min. AACSB: Communication, Technology AICPA PC: Communication IMA: Information Management

IFRS 2.1 INTERNATIONAL FINANCIAL REPORTING PROBLEM

Account	Financial Statement	Position in Financial Statement
(a) Other operating income and expenses	Consolidated Income statement	After gross margin and before operating profit
(b) Cash and cash equivalents	Consolidated Balance Sheet	Current assets
(c) Trade accounts payable	Consolidated Balance Sheet	Current liabilities
(d) Cost of net financial debt	Consolidated Income Statement	After Operating profit and before net profit before minority interests.

LO 5 BT: C Difficulty: Easy TOT: 15 min. AACSB: None, Diversity AICPA FC: Reporting AICPA BB: Global and Industry Perspective IMA: Reporting

SOLUTIONS TO EXERCISES—SET B

EXERCISE 2-1B

1. False. An account is an accounting record of a specific asset, liability, or stockholders' equity item.

2. False. An account shows increases and decreases in the item it relates to.

3. False. Each asset, liability, and stockholders' equity item has a separate account.

4. False. An account has a left, or debit side, and a right, or credit side.

5. True.

Transaction	Account Debited (a) Basic Type	Account Debited (b) Specific Account	Account Debited (c) Effect	Account Debited (d) Normal Balance	Account Credited (a) Basic Type	Account Credited (b) Specific Account	Account Credited (c) Effect	Account Credited (d) Normal Balance
Jan. 2	Asset	Cash	Increase	Debit	Stockholders' Equity	Common Stock	Increase	Credit
3	Asset	Equipment	Increase	Debit	Asset	Cash	Decrease	Debit
9	Asset	Supplies	Increase	Debit	Liability	Accounts Payable	Increase	Credit
11	Asset	Accounts Receivable	Increase	Debit	Stockholders' Equity	Service Revenue	Increase	Credit
16	Stockholders' Equity	Advertising Expense	Increase	Debit	Asset	Cash	Decrease	Debit
20	Asset	Cash	Increase	Debit	Asset	Accounts Receivable	Decrease	Debit
23	Liability	Accounts Payable	Decrease	Credit	Asset	Cash	Decrease	Debit
28	Stockholders' Equity	Dividends	Increase	Debit	Asset	Cash	Decrease	Debit

EXERCISE 2-3B

General Journal J1

Date		Account Titles and Explanation	Ref.	Debit	Credit
Jan.	2	Cash..		15,000	
		Common Stock........................			15,000
	3	Equipment		5,000	
		Cash			5,000
	9	Supplies..		400	
		Accounts Payable			400
	11	Accounts Receivable......................		2,400	
		Service Revenue......................			2,400
	16	Advertising Expense		250	
		Cash			250
	20	Cash..		800	
		Accounts Receivable			800
	23	Accounts Payable...........................		250	
		Cash			250
	28	Dividends		1,300	
		Cash			1,300

EXERCISE 2-4B

Oct. 1 Debits increase assets: debit Cash $18,000.
Credits increase stockholders' equity: credit Common Stock $18,000.

2 No transaction.

3 Debits increase assets: debit Equipment $1,900.
Credits increase liabilities: credit Accounts Payable $1,900.

EXERCISE 2-4B (Continued)

Oct. 6 Debits increase assets: debit Accounts Receivable $5,300.
Credits increase revenues: credit Service Revenue $5,300.

27 Debits decrease liabilities: debit Accounts Payable $900.
Credits decrease assets: credit Cash $900.

30 Debits increase expenses: debit Salaries and Wages Expense $2,500.
Credits decrease assets: credit Cash $2,500.

EXERCISE 2-5B

General Journal

Date		Account Titles and Explanation	Ref.	Debits	Credit
Oct.	1	Cash		18,000	
		Common Stock			18,000
	2	No entry.			
	3	Equipment..		1,900	
		Accounts Payable...................			1,900
	6	Accounts Receivable		5,300	
		Service Revenue.....................			5,300
	27	Accounts Payable		900	
		Cash			900
	30	Salaries and Wages Expense		2,500	
		Cash			2,500

EXERCISE 2-6B

(a) 1. Increase the asset Cash, increase the liability Notes Payable.
2. Increase the asset Equipment, decrease the asset Cash.
3. Increase the asset Supplies, increase the liability Accounts Payable.

(b)

1.	Cash	6,000	
	Notes Payable		6,000
2.	Equipment	2,800	
	Cash		2,800
3.	Supplies	400	
	Accounts Payable		400

EXERCISE 2-7B

(a)

	Assets = Liabilities + Stockholders' Equity		
1.	+	+	(Issue stock)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Dividends)

(b)

1.	Cash	7,000	
	Common Stock		7,000
2.	Rent Expense	1,800	
	Cash		1,800
3.	Accounts Receivable	6,800	
	Service Revenue		6,800
4.	Dividends	800	
	Cash		800

EXERCISE 2-8B

1. False. The general ledger contains all the asset, liability, *and* stockholders' *equity* accounts.
2. True.
3. False. The accounts in the general ledger are arranged in *financial statement order:* first the assets, then the liabilities, common stock, retained earnings, dividends, revenues, and expenses.
4. True.

5. False. The general ledger is not a book of original entry; transactions are first recorded in the general journal, then in the general ledger.

EXERCISE 2-9B

(a)

Cash

Aug. 1	6,000	Aug. 12	3,000
10	2,800		
31	900		
Bal.	6,700		

Notes Payable

		Aug. 12	2,000

Common Stock

		Aug. 1	6,000

Accounts Receivable

Aug. 25	1,500	Aug. 31	900
Bal.	600		

Service Revenue

		Aug. 10	2,800
		25	1,500
		Bal.	4,300

Equipment

Aug. 12	5,000		

(b)

WILL POST, INVESTMENT BROKER
Trial Balance
August 31, 2022

	Debit	Credit
Cash	$ 6,700	
Accounts Receivable	600	
Equipment	5,000	
Notes Payable		$ 2,000
Common Stock		6,000
Service Revenue		4,300
	$12,300	$12,300

EXERCISE 2-10B

(a)

General Journal

Date		Account Titles and Explanation	Ref.	Debit	Credit
Apr.	1	Cash		18,000	
		Common Stock............................			18,000
		(Issued shares of stock for cash)			
	12	Cash		800	
		Service Revenue			800
		(Received cash for services performed)			
	15	Salaries and Wages Expense		700	
		Cash			700
		(Paid salaries to date)			
	25	Accounts Payable		1,400	
		Cash			1,400
		(Paid creditors on account)			
	29	Cash		700	
		Accounts Receivable...................			700
		(Received cash in payment of account)			
	30	Cash		1,200	
		Unearned Service Revenue.........			1,200
		(Received cash for future services)			

EXERCISE 2-10B (Continued)

(b)

GARFUNKLE LANDSCAPING COMPANY
Trial Balance
April 30, 2022

	Debit	Credit
Cash	$18,600	
Accounts Receivable	3,100	
Supplies	1,900	
Accounts Payable		$ 500
Unearned Service Revenue		1,200
Common Stock		18,000
Service Revenue		4,600
Salaries and Wages Expense	700	
	$24,300	$24,300

EXERCISE 2-11B

			Debit	Credit
(a)	Oct. 1	Cash	5,000	
		Common Stock		5,000
		(Issued shares of stock for cash)		
	10	Cash	930	
		Service Revenue		930
		(Received cash for services performed)		
	10	Cash	2,000	
		Notes Payable		2,000
		(Obtained loan from bank)		
	20	Cash	700	
		Accounts Receivable		700
		(Received cash in payment of account)		
	20	Accounts Receivable	880	
		Service Revenue		880
		(Billed clients for services performed)		

EXERCISE 2-11B (Continued)

(b)

GEORGIA CO.
Trial Balance
October 31, 2022

	Debit	Credit
Cash	$ 8,100	
Accounts Receivable	980	
Supplies	400	
Equipment	2,500	
Notes Payable		$ 2,000
Accounts Payable		1,300
Common Stock		7,500
Dividends	380	
Service Revenue		2,610
Salaries and Wages Expense	700	
Rent Expense	350	
	$13,410	$13,410

EXERCISE 2-12B

(a)

General Journal J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash	101	13,000	
	Common Stock	311		13,000
5	Equipment	157	14,000	
	Cash	101		4,000
	Accounts Payable	201		10,000
25	Accounts Payable	201	5,000	
	Cash	101		5,000
30	Dividends	332	800	
	Cash	101		800

EXERCISE 2-12B (Continued)

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	13,000		13,000
5		J1		4,000	9,000
25		J1		5,000	4,000
30		J1		800	3,200

Equipment **No. 157**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1	14,000		14,000

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		10,000	10,000
25		J1	5,000		5,000

Common Stock **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1		13,000	13,000

Dividends **No. 332**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	800		800

EXERCISE 2-13B

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$400	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	500	Credit
5.	Yes	—	—
6.	No	18	Credit

EXERCISE 2-14B

AYALA DELIVERY SERVICE
Trial Balance
July 31, 2022

	Debit	Credit
Cash ($77,907 – Debit total without Cash $62,340)	$15,567	
Accounts Receivable	8,642	
Prepaid Insurance	1,968	
Equipment	45,360	
Notes Payable		$18,450
Accounts Payable		6,396
Salaries and Wages Payable		815
Common Stock		35,000
Retained Earnings		4,636
Dividends	700	
Service Revenue		12,610
Salaries and Wages Expense	3,428	
Maintenance and Repairs Expense	961	
Gasoline Expense	758	
Utilities Expense	523	
	$77,907	$77,907

PROBLEM 2-1B

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash		60,000	
	Common Stock			60,000
	(Issued shares of stock for cash)			
3	Land		26,000	
	Buildings		8,000	
	Equipment		4,000	
	Cash			38,000
	(Purchased Arnie's Golf Land)			
5	Advertising Expense		1,600	
	Cash			1,600
	(Paid for advertising)			
6	Prepaid Insurance		3,800	
	Cash			3,800
	(Paid for one-year insurance policy)			
10	Equipment		1,050	
	Accounts Payable			1,050
	(Purchased equipment on account)			
18	Cash		420	
	Service Revenue			420
	(Received cash for services provided)			
19	Cash		1,800	
	Unearned Service Revenue			1,800
	(Received cash for coupon books sold)			

PROBLEM 2-1B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Dividends		800	
	Cash			800
	(Declared and paid cash dividend)			
30	Salaries and Wages Expense		280	
	Cash			280
	(Paid salaries)			
30	Accounts Payable		1,050	
	Cash			1,050
	(Paid creditor on account)			
31	Cash		200	
	Service Revenue			200
	(Received cash for services provided)			

PROBLEM 2-2B

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash	101	40,000	
	Common Stock	311		40,000
	(Issued shares of stock for cash)			
1	No entry—not a transaction.			
2	Rent Expense	729	1,700	
	Cash	101		1,700
	(Paid monthly office rent)			
3	Supplies	126	5,200	
	Accounts Payable	201		5,200
	(Purchased supplies on account from Jennings Company)			
10	Accounts Receivable	112	6,600	
	Service Revenue	400		6,600
	(Billed clients for services provided)			
11	Cash	101	1,200	
	Unearned Service Revenue	209		1,200
	(Received cash for future service)			
20	Cash	101	2,100	
	Service Revenue	400		2,100
	(Received cash for services provided)			
30	Salaries and Wages Expense	726	2,400	
	Cash	101		2,400
	(Paid monthly salary)			

PROBLEM 2-2B (Continued)

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable............................	201	2,200	
	Cash...	101		2,200
	(Paid Jennings Company on account)			

(b)

Cash — No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	40,000		40,000
2		J1		1,700	38,300
11		J1	1,200		39,500
20		J1	2,100		41,600
30		J1		2,400	39,200
30		J1		2,200	37,000

Accounts Receivable — No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	6,600		6,600

Supplies — No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	5,200		5,200

Accounts Payable — No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		5,200	5,200
30		J1	2,200		3,000

Unearned Service Revenue — No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,200	1,200

PROBLEM 2-2B (Continued)

Common Stock — No. 311

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		40,000	40,000

Service Revenue — No. 400

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		6,600	6,600
20		J1		2,100	8,700

Salaries and Wages Expense — No. 726

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,400		2,400

Rent Expense — No. 729

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,700		1,700

(c)

ALICIA HIRAM, DENTIST
Trial Balance
April 30, 2022

	Debit	Credit
Cash	$37,000	
Accounts Receivable	6,600	
Supplies	5,200	
Accounts Payable		$ 3,000
Unearned Service Revenue		1,200
Common Stock		40,000
Service Revenue		8,700
Salaries and Wages Expense	2,400	
Rent Expense	1,700	
	$52,900	$52,900

PROBLEM 2-3B

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	50,000	
	Common Stock........................		50,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent.....................................	24,000	
	Cash		24,000
4.	Equipment	28,000	
	Cash		5,000
	Accounts Payable		23,000
5.	Prepaid Insurance	2,640	
	Cash		2,640
6.	Supplies..	750	
	Cash		750
7.	Supplies..	1,300	
	Accounts Payable		1,300
8.	Cash	6,000	
	Accounts Receivable	12,000	
	Service Revenue		18,000
9.	Accounts Payable	400	
	Cash		400

10.	Cash	3,200	
	Accounts Receivable		3,200
11.	Utilities Expense..............................	260	
	Accounts Payable...................		260

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense	5,600	
	Cash		5,600

(b)

Cash

(1) 50,000			
		(3)	24,000
		(4)	5,000
		(5)	2,640
		(6)	750
(8) 6,000			
		(9)	400
(10) 3,200			
		(12)	5,600
20,810			

Accounts Receivable

(8)	12,000		
		(10)	3,200
	8,800		

Supplies

(6)	750		
(7)	1,300		
	2,050		

Prepaid Insurance

(5)	2,640		
	2,640		

Prepaid Rent

(3)	24,000		
	24,000		

Equipment

(4)	28,000		
	28,000		

Accounts Payable

		(4)	23,000
		(7)	1,300
(9)	400		
		(11)	260
			24,160

Common Stock

		(1)	50,000
			50,000

Service Revenue

		(8)	18,000
			18,000

Salaries and Wages Expense

(12)	5,600		
	5,600		

Utilities Expense

(11)	260		
	260		

PROBLEM 2-3B (Continued)

(c)

HILLSBOROUGH SERVICES
Trial Balance
May 31, 2022

	Debit	Credit
Cash	$20,810	
Accounts Receivable	8,800	
Supplies	2,050	
Prepaid Insurance	2,640	
Prepaid Rent	24,000	
Equipment	28,000	
Accounts Payable		$24,160
Common Stock		50,000
Service Revenue		18,000
Salaries and Wages Expense	5,600	
Utilities Expense	260	
	$92,160	$92,160

PROBLEM 2-4B

ZOOP CO.
Trial Balance
June 30, 2022

	Debit	Credit
Cash ($3,960 + $270)	$ 4,230	
Accounts Receivable ($2,648 – $270)	2,378	
Supplies ($800 – $620)	180	
Equipment ($3,000 + $620)..	3,620	
Accounts Payable ($2,666 – $309 – $390)................		$ 1,967
Unearned Service Revenue		2,200
Common Stock		9,000
Dividends ($800 + $600)...	1,400	
Service Revenue ($2,367 + $684)..............................		3,051
Salaries and Wages Expense ($3,400 + $700 – $600)	3,500	
Utilities Expense...	910	
	$16,218	$16,218

PROBLEM 2-5B

(a) & (c)

Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			8,000
2		J1		1,000	7,000
9		J1	4,000		11,000
10		J1		3,400	7,600
12		J1		450	7,150
20		J1	5,400		12,550
20		J1		2,600	9,950
31		J1		2,500	7,450
31		J1	375		7,825
31		J1	9,000		16,825

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	375		375

Land No. 140

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			22,000

Buildings No. 145

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			10,000

Equipment No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			8,000

PROBLEM 2-5B (Continued)

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			6,000
2		J1		2,500	8,500
10		J1	3,400		5,100

Common Stock **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			42,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,000	4,000
20		J1		5,400	9,400
31		J1		9,000	18,400

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		750	750

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	450		450

PROBLEM 2-5B (Continued)

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	2,500		2,500

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,500		3,500
20		J1	2,600		6,100

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 2	Rent Expense..	729	3,500	
	Accounts Payable.........................	201		2,500
	Cash	101		1,000
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	4,000	
	....			
	....			
	Service Revenue...........................	400		4,000
	(Received cash for services provided)			
10	Accounts Payable ($2,500 + $900)..........	201	3,400	
	Cash	101		3,400
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense............................	610	450	
	Cash	101		450
	(Paid advertising expense)			

PROBLEM 2-5B (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
20	Cash	101	5,400	
	Service Revenue	400		5,400
	(Received cash for services provided)			
20	Rent Expense..	729	2,600	
	Cash	101		2,600
	(Paid film rental)			
Mar. 31	Salaries and Wages Expense	726	2,500	
	Cash	101		2,500
	(Paid salaries expense)			
31	Cash	101	375	
	Accounts Receivable	112	375	
	Rent Revenue	429		750
	(15% X $5,000)			
	(Received cash and balance on account for concession revenue)			
31	Cash	101	9,000	
	Service Revenue	400		9,000
	(Received cash for services provided)			

(d)

HART THEATER
Trial Balance
March 31, 2022

	Debit	Credit
Cash	$16,825	
Accounts Receivable	375	
Land	22,000	
Buildings	10,000	
Equipment	8,000	
Accounts Payable		$ 5,100
Common Stock		42,000
Service Revenue		18,400
Rent Revenue		750
Advertising Expense	450	
Salaries and Wages Expense	2,500	
Rent Expense	6,100	
	$66,250	$66,250

PROBLEM 2-1C

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash		55,000	
	Common Stock			55,000
	(Issued shares of stock for cash)			
3	Land		27,000	
	Buildings		3,000	
	Equipment		7,000	
	Cash			37,000
	(Purchased Palmer's Golf Land)			
5	Advertising Expense		900	
	Cash			900
	(Paid for advertising)			
6	Prepaid Insurance		1,200	
	Cash			1,200
	(Paid for 1-year insurance policy)			
	Equipment			
10	Accounts Payable		1,400	
	(Purchased equipment on account)			1,400
18	Cash			
	Service Revenue		300	
	(Received cash for services performed)			300
19	Cash			
	Unearned Service Revenue		1,200	
	(Received cash for coupon books sold)			1,200

PROBLEM 2-1C (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Dividends..		600	
	Cash			600
	(Declared and paid cash dividend)			
30	Salaries and Wages Expense..........		850	
	Cash			850
	(Paid salaries)			
30	Accounts Payable		1,400	
	Cash			1,400
	(Paid creditor on account)			
31	Cash		600	
	Service Revenue......................			600
	(Received cash for services performed)			

PROBLEM 2-2C

(a)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash	101	50,000	
	Common Stock	311		50,000
	(Issued shares of stock for cash)			
1	No entry—not a transaction.			
2	Rent Expense	729	1,400	
	Cash	101		1,400
	(Paid monthly office rent)			
3	Supplies	126	4,500	
	Accounts Payable	201		4,500
	(Purchased supplies on account from Whyte Company)			
10	Accounts Receivable	112	5,300	
	Service Revenue	400		5,300
	(Billed clients for services performed)			
11	Cash	101	1,200	
	Unearned Service Revenue	209		1,200
	(Received cash for future service)			
20	Cash	101	2,300	
	Service Revenue	400		2,300
	(Received cash for services performed)			
30	Salaries and Wages Expense	726	2,000	
	Cash	101		2,000
	(Paid monthly salary)			

PROBLEM 2-2C (Continued)

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable	201	1,800	
	Cash	101		1,800
	(Paid Whyte Company on account)			

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	50,000		50,000
2		J1		1,400	48,600
11		J1	1,200		49,800
20		J1	2,300		52,100
30		J1		2,000	50,100
30		J1		1,800	48,300

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,300		5,300

Supplies **No. 126**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,500		4,500

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,500	4,500
30		J1	1,800		2,700

Unearned Service Revenue **No. 209**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,200	1,200

PROBLEM 2-2C (Continued)

Common Stock					No. 311
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1		50,000	50,000

Service Revenue					No. 400
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,300	5,300
20		J1		2,300	7,600

Salaries and Wages Expense					No. 726
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,000		2,000

Rent Expense					No. 729
Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,400		1,400

(c)

ALMA GUTIERREZ, DENTIST
Trial Balance
April 30, 2022

	Debit	Credit
Cash	$48,300	
Accounts Receivable	5,300	
Supplies	4,500	
Accounts Payable		$ 2,700
Unearned Service Revenue		1,200
Common Stock		50,000
Service Revenue		7,600
Salaries and Wages Expense	2,000	
Rent Expense	1,400	
	$61,500	$61,500

PROBLEM 2-3C

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	60,000	
	Common Stock		60,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	36,000	
	Cash		36,000
4.	Equipment	35,000	
	Cash		12,000
	Accounts Payable		23,000
5.	Prepaid Insurance	1,500	
	Cash		1,500
6.	Supplies	400	
	Cash		400
7.	Supplies	1,600	
	Accounts Payable		1,600
8.	Cash	12,000	
	Accounts Receivable	16,000	
	Service Revenue		28,000
9.	Accounts Payable	600	
	Cash		600
10.	Cash	6,000	
	Accounts Receivable		6,000
11.	Utilities Expense	400	
	Accounts Payable		400

PROBLEM 2-3C (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense	7,600	
	Cash		7,600

(b)

Cash

(1)	60,000		
		(3)	36,000
		(4)	12,000
		(5)	1,500
		(6)	400
(8)	12,000		
		(9)	600
(10)	6,000		
		(12)	7,600
	19,900		

Equipment

(4)	35,000		
	35,000		

Accounts Payable

		(4)	23,000
		(7)	1,600
(9)	600		
		(11)	400
			24,400

Accounts Receivable

(8)	16,000		
		(10)	6,000
	10,000		

Common Stock

		(1)	60,000
			60,000

Supplies

(6)	400		
(7)	1,600		
	2,000		

Service Revenue

		(8)	28,000
			28,000

Prepaid Insurance

(5)	1,500		
	1,500		

Salaries and Wages Expense

(12)	7,600		
	7,600		

Prepaid Rent

(3)	36,000		
	36,000		

Utilities Expense

(11)	400		
	400		

PROBLEM 2-3C (Continued)

(c)

HOME SERVICES
Trial Balance
May 31, 2022

	Debit	Credit
Cash	$19,900	
Accounts Receivable	10,000	
Supplies	2,000	
Prepaid Insurance	1,500	
Prepaid Rent	36,000	
Equipment	35,000	
Accounts Payable		$24,400
Common Stock		60,000
Service Revenue		28,000
Salaries and Wages Expense	7,600	
Utilities Expense	400	
	$112,400	$112,400

PROBLEM 2-4C

TABLEAU CO.
Trial Balance
June 30, 2022

	Debit	Credit
Cash ($2,771 + $270)	$ 3,041	
Accounts Receivable ($2,731 – $270)	2,461	
Supplies ($1,200 – $850)	350	
Equipment ($2,600 + $850)	3,450	
Accounts Payable ($3,666 – $405 – $450)		$ 2,811
Unearned Service Revenue		1,100
Common Stock		8,000
Dividends ($800 + $700)	1,500	
Service Revenue ($2,480 + $621)		3,101
Salaries and Wages Expense ($3,200 + $900 – $700)	3,400	
Utilities Expense	810	
	$15,012	$15,012

PROBLEM 2-5C

(a) & (c)

Cash — No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			10,000
2		J1		2,500	7,500
9		J1	5,000		12,500
10		J1		3,800	8,700
12		J1		400	8,300
20		J1	5,800		14,100
20		J1		3,000	11,100
31		J1		2,700	8,400
31		J1	480		8,880
31		J1	8,000		16,880

Accounts Receivable — No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	480		480

Land — No. 140

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			42,000

Buildings — No. 145

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			12,000

Equipment — No. 157

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	□			18,000

PROBLEM 2-5C (Continued)

Accounts Payable — **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	☐			9,000
2		J1		1,200	10,200
10		J1	3,800		6,400

Common Stock — **No. 311**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	☐			73,000

Service Revenue — **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		5,000	5,000
20		J1		5,800	10,800
31		J1		8,000	18,800

Rent Revenue — **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		960	960

Advertising Expense — **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	400		400

Salaries and Wages Expense — **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	2,700		2,700

Rent Expense — **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,700		3,700
20		J1	3,000		6,700

PROBLEM 2-5C (Continued)

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 2	Rent Expense	729	3,700	
	Cash	101		2,500
	Accounts Payable	201		1,200
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	5,000	
	Service Revenue	400		5,000
	(Received cash for services provided)			
10	Accounts Payable ($1,200 + $2,600)	201	3,800	
	Cash	101		3,800
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense	610	400	
	Cash	101		400
	(Paid advertising expense)			
20	Cash	101	5,800	
	Service Revenue	400		5,800
	(Received cash for services provided)			
20	Rent Expense	729	3,000	
	Cash	101		3,000
	(Paid film rental)			

PROBLEM 2-5C (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Salaries and Wages Expense	726	2,700	
	Cash	101		2,700
	(Paid salaries expense)			
31	Cash	101	480	
	Accounts Receivable	112	480	
	Rent Revenue	429		960
	(12% X $8,000)			
	(Received cash and balance on account for concession revenue)			
31	Cash	101	8,000	
	Service Revenue	400		8,000
	(Received cash for services performed)			

(d)

KEATON THEATER
Trial Balance
March 31, 2022

	Debit	Credit
Cash	16,880	
Accounts Receivable	480	
Land	42,000	
Buildings	12,000	
Equipment	18,000	
Accounts Payable		$ 6,400
Common Stock		73,000
Service Revenue		18,800
Rent Revenue		960
Advertising Expense	400	
Salaries and Wages Expense	2,700	
Rent Expense	6,700	
	$99,160	$99,160