

***Corporate Financial Accounting 15th edition Warren
Solutions Manual***

SKU: 9781337398169-SOLUTIONS

CHAPTER 2 ANALYZING TRANSACTIONS

DISCUSSION QUESTIONS

1. An account is a form designed to record changes in a particular asset, liability, stockholders' equity, revenue, or expense. A ledger is a group of related accounts.
2. The terms *debit* and *credit* may signify either an increase or a decrease, depending upon the nature of the account. For example, debits signify an increase in asset, expense, and dividends accounts but a decrease in liability, common stock, retained earnings, and revenue accounts.
3.
 - a. Assuming no errors have occurred, the credit balance in the cash account resulted from writing checks for \$1,850 in excess of the amount of cash on deposit.
 - b. The \$1,850 credit balance in the cash account as of December 31 is a liability owed to the bank. It is usually referred to as an "overdraft" and should be classified on the balance sheet as a liability.
4.
 - a. The revenue was earned in October.
 - b. (1) Debit Accounts Receivable and credit Fees Earned or another appropriately titled revenue account in October.
(2) Debit Cash and credit Accounts Receivable in November.
5. No. Errors may have been made that had the same erroneous effect on both debits and credits, such as failure to record and/or post a transaction, recording the same transaction more than once, and posting a transaction correctly but to the wrong account.
6. The listing of \$9,800 is a transposition; the listing of \$100 is a slide.
7.
 - a. No. Because the same error occurred on both the debit side and the credit side of the trial balance, the trial balance would not be out of balance.
 - b. Yes. The trial balance would not balance. The error would cause the debit total of the trial balance to exceed the credit total by \$90.
8.
 - a. The equality of the trial balance would not be affected.
 - b. On the income statement, total operating expenses (salary expense) would be overstated by \$7,500, and net income would be understated by \$7,500. On the statement of stockholders' equity, the beginning and ending retained earnings would be correct. However, net income and dividends would be understated by \$7,500. These understatements offset one another, and thus, ending retained earnings is correct. The balance sheet is not affected by the error.
9.
 - a. The equality of the trial balance would not be affected.
 - b. On the income statement, revenues (fees earned) would be overstated by \$300,000, and net income would be overstated by \$300,000. On the statement of stockholders' equity, the beginning retained earnings would be correct. However, net income and ending retained earnings would be overstated by \$300,000. The balance sheet total assets is correct. However, liabilities (notes payable) is understated by \$300,000, and stockholders' equity (retained earnings) is overstated by \$300,000. The understatement of liabilities is offset by the overstatement of stockholders' equity (retained earnings), and thus, total liabilities and stockholders' equity is correct.
10.
 - a. From the viewpoint of Surety Storage, the balance of the checking account represents an asset.
 - b. From the viewpoint of Ada Savings Bank, the balance of the checking account represents a liability.

BASIC EXERCISES

BE 2-1

1. Debit and credit entries, normal credit balance
2. Debit and credit entries, normal debit balance
3. Debit entries only, normal debit balance
4. Debit entries only, normal debit balance
5. Debit entries only, normal debit balance
6. Credit entries only, normal credit balance

BE 2-2

Nov.	2	Office Supplies		1,600	
		Cash			500
		Accounts Payable			1,100

BE 2-3

Aug.	13	Cash	9,000	
		Fees Earned		9,000

BE 2-4

June	30	Dividends	11,500	
		Cash		11,500

BE 2-5

Using the following T account, solve for the amount of supplies expense (indicated by ? below).

Supplies			
Aug. 1 Bal.	1,025	?	Supplies expense
Supplies purchased	3,110		
Aug. 31 Bal.	1,324		

$$\$1,324 = \$1,025 + \$3,110 - \text{Supplies expense}$$

$$\text{Supplies expense} = \$1,025 + \$3,110 - \$1,324 = \$2,811$$

BE 2–6

- The totals are equal because both the debit and credit entries were journalized and posted for \$12,900.
- The totals are unequal. The credit total is higher by \$1,656 (\$1,840 – \$184).
- The totals are unequal. The debit total is higher by \$4,500 (\$8,300 – \$3,800).

BE 2–7

a.	Cash	8,400	
	Accounts Receivable		8,400
b.	Supplies	2,500	
	Office Equipment		2,500
	Supplies	2,500	
	Accounts Payable		2,500

Note: The first entry in (b) reverses the incorrect entry, and the second entry records the correct entry. These two entries could also be combined into one entry as shown below; however, preparing two entries would make it easier for someone to understand later what happened and why the entries were necessary.

Supplies	5,000	
Office Equipment		2,500
Accounts Payable		2,500

BE 2–8

Paragon Company Income Statements For the Years Ended December 31				
	20Y7	20Y6	Increase/(Decrease)	
			Amount	Percent
Fees earned	\$ 1,416,000	\$1,200,000	\$216,000	18.0%
Expenses	(1,044,000)	(900,000)	144,000	16.0%
Net income	\$ 372,000	\$ 300,000	\$ 72,000	24.0%

EXERCISES**Ex. 2-1**

Balance Sheet Accounts		Income Statement Accounts	
<u>Assets</u>		<u>Revenue</u>	
Advanced Payments for Equipment ^a		Cargo Revenue	
Cash		Passenger Revenue	
Flight Equipment			
Fuel Inventory			
Parts and Supplies Inventories			
Prepaid Expenses			
<u>Liabilities</u>		<u>Expenses</u>	
Accounts Payable		Aircraft Fuel (Expense)	
Air Traffic Liability ^b		Aircraft Maintenance (Expense)	
Frequent Flyer (Obligations) ^c		Aircraft Rent (Expense)	
Taxes Payable		Contract Carrier Arrangements (Expense) ^d	
		Landing Fees (Expense) ^e	
		Passenger Commissions (Expense) ^f	
<u>Stockholders' Equity</u>			

None

^a Advance payments (deposits) on aircraft to be delivered in the future^b Passenger ticket sales for future flights^c Obligations to provide frequent flyers future travel and other benefits^d Payments to other airlines for passenger travel under Delta tickets^e Fees paid to airports for landing rights^f Commissions paid to travel agents for passenger bookings**Ex. 2-2**

Account	Account Number
Accounts Payable	21
Accounts Receivable	12
Cash	11
Common Stock	31
Dividends	33
Fees Earned	41
Land	13
Miscellaneous Expense	53
Retained Earnings	32
Supplies Expense	52
Wages Expense	51

Note: Expense accounts are normally listed in order of magnitude from largest to smallest with Miscellaneous Expense always listed last. Since Wages Expense is normally larger than Supplies Expense, Wages Expense is listed as account number 51 and Supplies Expense as account number 52.

Ex. 2–3

Balance Sheet Accounts		Income Statement Accounts	
<u>1. Assets</u>		<u>4. Revenue</u>	
11	Cash	41	Fees Earned
12	Accounts Receivable		
13	Supplies		
14	Prepaid Insurance		
15	Equipment		
<u>2. Liabilities</u>		<u>5. Expenses</u>	
21	Accounts Payable	51	Wages Expense
22	Unearned Rent	52	Rent Expense
		53	Supplies Expense
		59	Miscellaneous Expense
<u>3. Stockholders' Equity</u>			
31	Common Stock		
32	Retained Earnings		
33	Dividends		

Note: The order of some of the accounts within the major classifications is somewhat arbitrary, as in accounts 13–14, accounts 21–22, and accounts 51–53. In a new business, the order of magnitude of balances in such accounts is not determinable in advance. The magnitude may also vary from period to period.

Ex. 2–4

a.	debit	g.	credit
b.	debit	h.	debit
c.	debit	i.	debit
d.	credit	j.	credit
e.	debit	k.	debit
f.	credit	l.	debit

Ex. 2–5

1. debit and credit entries (c)
2. debit and credit entries (c)
3. debit and credit entries (c)
4. credit entries only (b)
5. debit entries only (a)
6. debit entries only (a)
7. debit entries only (a)

Ex. 2–6

- | | |
|--|-------------------|
| a. Liability—credit | f. Revenue—credit |
| b. Asset—debit | g. Asset—debit |
| c. Asset—debit | h. Expense—debit |
| d. Stockholders' equity
(Common Stock)—credit | i. Asset—debit |
| e. Stockholders' equity
(Dividends)—debit | j. Expense—debit |

Ex. 2–7

20Y2				
Oct.	1	Rent Expense	2,500	
		Cash		2,500
	4	Advertising Expense	1,000	
		Cash		1,000
	5	Supplies	1,800	
		Cash		1,800
	6	Office Equipment	11,500	
		Accounts Payable		11,500
	12	Cash	7,500	
		Accounts Receivable		7,500
	20	Accounts Payable	2,700	
		Cash		2,700
	27	Miscellaneous Expense	700	
		Cash		700
	30	Utilities Expense	475	
		Cash		475
	31	Accounts Receivable	42,400	
		Fees Earned		42,400
	31	Utilities Expense	900	
		Cash		900
	31	Dividends	1,500	
		Cash		1,500

Ex. 2–8

a.

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Date	Description	Post. Ref.	Debit	Credit
20Y9				
Feb. 11	Supplies	15	2,250	
	Accounts Payable	21		2,250
	Purchased supplies on account.			

b., c., d.

Account: SuppliesAccount No. 15

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y9						
Feb. 1	Balance	✓			400	
	11	73	2,250		2,650	

Account: Accounts PayableAccount No. 21

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y9						
Feb. 1	Balance	✓				18,300
	11	73		2,250		20,550

e. Yes, the rules of debit and credit apply to all companies.

Ex. 2–9

a. (1)

Accounts Receivable	112,700	
Fees Earned		112,700

(2)

Supplies	4,500	
Accounts Payable		4,500

(3)

Cash	88,220	
Accounts Receivable		88,220

(4)

Accounts Payable	3,100	
Cash		3,100

Ex. 2–9 (Concluded)

b.

Cash		Accounts Payable	
(3)	88,220	(4)	3,100
		(4)	3,100
		(2)	4,500
Supplies		Fees Earned	
(2)	4,500	(1)	112,700
Accounts Receivable			
(1)	112,700	(3)	88,220

- c. No, an error may not have necessarily occurred. A credit balance in Accounts Receivable could occur if a customer overpaid his or her account. Regardless, the credit balance should be investigated to verify that an error has not occurred.

Ex. 2–10

- a. The increase of \$270,800 (\$1,245,000 – \$974,200) in the cash account does not indicate net income of that amount. Net income is the net change in all assets and liabilities from operating (revenue and expense) transactions.
- b. \$150,200 (\$421,000 – \$270,800)

or

Cash	
X	974,200
1,245,000	
<u>421,000</u>	

$$X + \$1,245,000 - \$974,200 = \$421,000$$

$$X = \$421,000 - \$1,245,000 + \$974,200$$

$$X = \$150,200$$

Ex. 2-11

Accounts Payable			
a.		Feb. 1	X
	186,500		201,400
		Feb. 28	59,900

$$X + \$201,400 - \$186,500 = \$59,900$$

$$X = \$59,900 + \$186,500 - \$201,400$$

$$X = \$45,000$$

Accounts Receivable			
b.	Oct. 1	115,800	449,600
		X	
	Oct. 31	130,770	

$$\$115,800 + X - \$449,600 = \$130,770$$

$$X = \$130,770 + \$449,600 - \$115,800$$

$$X = \$464,570$$

Cash			
c.	Apr. 1	46,220	X
		248,600	
	Apr. 30	56,770	

$$\$46,220 + \$248,600 - X = \$56,770$$

$$X = \$46,220 + \$248,600 - \$56,770$$

$$X = \$238,050$$

Ex. 2-12

- Debit (negative) balance of \$16,000 (\$314,000 – \$10,000 – \$320,000). This negative balance means that the liabilities of the business exceed the assets.
- Yes. The balance sheet prepared at December 31 will balance, with Retained Earnings being reported in the stockholders' equity section as a debit (negative) balance of \$16,000.

Ex. 2-13

a. and b.

Transaction	Account Debited		Account Credited	
	Type	Effect	Type	Effect
(1)	asset	+	stockholders' equity	+
(2)	asset	+	asset	-
(3)	asset	+	asset	-
			liability	+
(4)	expense	+	asset	-
(5)	asset	+	revenue	+
(6)	liability	-	asset	-
(7)	asset	+	asset	-
(8)	expense	+	asset	-
(9)	dividend	+	asset	-

Ex. 2-14

(1)	Cash	40,000	
	Common Stock		40,000
(2)	Supplies	4,000	
	Cash		4,000
(3)	Equipment	15,000	
	Accounts Payable		10,000
	Cash		5,000
(4)	Operating Expenses	6,175	
	Cash		6,175
(5)	Accounts Receivable	20,500	
	Service Revenue		20,500
(6)	Accounts Payable	6,000	
	Cash		6,000
(7)	Cash	13,100	
	Accounts Receivable		13,100
(8)	Operating Expenses	2,200	
	Supplies		2,200
(9)	Dividends	1,500	
	Cash		1,500

Ex. 2–15

a.

Rocky Mountain Tours Co. Unadjusted Trial Balance June 30, 20Y2		
	Debit Balances	Credit Balances
Cash	30,425	
Accounts Receivable	7,400	
Supplies	1,800	
Equipment	15,000	
Accounts Payable		4,000
Common Stock		40,000
Dividends	1,500	
Service Revenue		20,500
Operating Expenses	8,375	
	64,500	64,500

b. Net income, \$12,125 (\$20,500 – \$8,375)

Ex. 2-16

Seaside Furniture Company Unadjusted Trial Balance August 31, 20Y5		
	Debit Balances	Credit Balances
Cash	426,800	
Accounts Receivable	660,500	
Supplies	11,200	
Prepaid Insurance	21,600	
Land	1,850,000	
Accounts Payable		118,600
Unearned Rent		12,000
Notes Payable		75,000
Common Stock		150,000
Retained Earnings		1,814,400
Dividends	36,000	
Fees Earned		4,330,000
Wages Expense	2,950,000	
Rent Expense	390,000	
Utilities Expense	82,000	
Supplies Expense	23,700	
Insurance Expense	18,000	
Miscellaneous Expense	30,200	
	6,500,000	6,500,000

Cash = \$6,500,000 – \$30,200 – \$18,000 – \$23,700 – \$82,000 – \$390,000 – \$2,950,000 – \$36,000 – \$1,850,000 – \$21,600 – \$11,200 – \$660,500 = \$426,800

Ex. 2-17

Inequality of trial balance totals would be caused by errors described in (c) and (e). For (c), the debit total would exceed the credit total by \$9,900 (\$4,950 + \$4,950). For (e), the credit total would exceed the debit total by \$17,100 (\$19,000 – \$1,900).

Errors (b), (c), (d), and (e) would require correcting entries. Although it is not a correcting entry, the entry that was not made in (a) should also be entered in the journal.

Ex. 2-18

Ranger Co. Unadjusted Trial Balance August 31, 20Y1		
	Debit Balances	Credit Balances
Cash	15,500	
Accounts Receivable	46,750	
Prepaid Insurance	12,000	
Equipment	190,000	
Accounts Payable		24,600
Unearned Rent		5,400
Common Stock		40,000
Retained Earnings		70,000
Dividends	13,000	
Service Revenue		385,000
Wages Expense	213,000	
Advertising Expense	16,350	
Miscellaneous Expense	18,400	
	525,000	525,000

Ex. 2-19

Error	(a) Out of Balance	(b) Difference	(c) Larger Total
1.	yes	\$6,000	debit
2.	no	—	—
3.	yes	5,400	credit
4.	yes	480	debit
5.	no	—	—
6.	yes	90	credit
7.	yes	360	credit

Ex. 2–20

1. The Debit column total is added incorrectly. The sum is \$1,098,500 rather than \$1,801,500.
2. The trial balance should be dated “December 31, 20Y8,” not “For the Year Ending December 31, 20Y8.”
3. The Accounts Receivable balance should be in the Debit column.
4. The Accounts Payable balance should be in the Credit column.
5. The Dividends balance should be in the Debit column.
6. The Advertising Expense balance should be in the Debit column.

A corrected trial balance would be as follows:

Ensemble Co. Unadjusted Trial Balance December 31, 20Y8		
	Debit Balances	Credit Balances
Cash	42,900	
Accounts Receivable	123,500	
Prepaid Insurance	27,000	
Equipment	300,000	
Accounts Payable		52,000
Salaries Payable		4,800
Common Stock		40,000
Retained Earnings		137,200
Dividends	5,000	
Service Revenue		1,216,000
Salary Expense	660,000	
Advertising Expense	275,000	
Miscellaneous Expense	16,600	
	1,450,000	1,450,000

Ex. 2–21

- a. The correction could be made with one or two entries as follows:

Prepaid Insurance	36,000	
Insurance Expense		18,000
Cash		18,000

or (reverse original entry)

Prepaid Insurance	18,000	
Insurance Expense		18,000
Prepaid Insurance	18,000	
Cash		18,000

- b.
- | | | |
|---------------|--------|--------|
| Dividends | 10,000 | |
| Wages Expense | | 10,000 |

Ex. 2-22

a.	Cash	17,600	
	Fees Earned		8,800
	Accounts Receivable		8,800
b.	Accounts Payable	1,760	
	Supplies Expense		1,760
	Supplies	1,760	
	Cash		1,760

Note: The first entry reverses the original entry. The second entry is the entry that should have been made initially.

PROBLEMS**Prob. 2–1A****1. and 2.**

Cash	
(a) 30,000	(b) 2,500
(g) 9,000	(c) 6,000
	(e) 2,100
	(f) 3,600
	(h) 2,600
	(i) 4,000
	(j) 1,875
	(m) 6,000
	(n) 1,300
Bal. 9,025	

Accounts Receivable	
(l) 31,400	

Supplies	
(e) 2,100	

Prepaid Insurance	
(f) 3,600	

Automobiles	
(c) 28,500	

Equipment	
(d) 8,000	

Notes Payable	
(j) 1,875	(c) 22,500
	Bal. 20,625

Accounts Payable	
(i) 4,000	(d) 8,000
	(k) 5,500
	Bal. 9,500

Common Stock	
	(a) 30,000

Professional Fees	
	(g) 9,000
	(l) 31,400
	Bal. 40,400

Salary Expense	
(m) 6,000	

Blueprint Expense	
(k) 5,500	

Rent Expense	
(b) 2,500	

Automobile Expense	
(n) 1,300	

Miscellaneous Expense	
(h) 2,600	

Prob. 2-1A (Concluded)

3.

Knaus Architects Unadjusted Trial Balance January 31, 20Y4		
	Debit Balances	Credit Balances
Cash	9,025	
Accounts Receivable	31,400	
Supplies	2,100	
Prepaid Insurance	3,600	
Automobiles	28,500	
Equipment	8,000	
Notes Payable		20,625
Accounts Payable		9,500
Common Stock		30,000
Professional Fees		40,400
Salary Expense	6,000	
Blueprint Expense	5,500	
Rent Expense	2,500	
Automobile Expense	1,300	
Miscellaneous Expense	2,600	
	100,525	100,525

4. Net income, \$22,500 (\$40,400 – \$6,000 – \$5,500 – \$2,500 – \$1,300 – \$2,600)

Prob. 2–2A

1. (a)	Cash	40,000	
	Common Stock		40,000
(b)	Rent Expense	4,800	
	Cash		4,800
(c)	Supplies	2,150	
	Accounts Payable		2,150
(d)	Accounts Payable	1,100	
	Cash		1,100
(e)	Cash	18,750	
	Sales Commissions		18,750
(f)	Automobile Expense	1,580	
	Miscellaneous Expense	800	
	Cash		2,380
(g)	Office Salaries Expense	3,500	
	Cash		3,500
(h)	Supplies Expense	1,300	
	Supplies		1,300
(i)	Dividends	1,500	
	Cash		1,500

Prob. 2–2A (Continued)

2.

Cash	
(a) 40,000	(b) 4,800
(e) 18,750	(d) 1,100
	(f) 2,380
	(g) 3,500
	(i) 1,500
Bal. 45,470	

Sales Commissions	
	(e) 18,750

Rent Expense	
(b) 4,800	

Supplies	
(c) 2,150	(h) 1,300
Bal. 850	

Office Salaries Expense	
(g) 3,500	

Accounts Payable	
(d) 1,100	(c) 2,150
	Bal. 1,050

Automobile Expense	
(f) 1,580	

Common Stock	
	(a) 40,000

Supplies Expense	
(h) 1,300	

Dividends	
(i) 1,500	

Miscellaneous Expense	
(f) 800	

Prob. 2-2A (Concluded)

Affordable Realty Unadjusted Trial Balance October 31, 20Y6		
	Debit Balances	Credit Balances
Cash	45,470	
Supplies	850	
Accounts Payable		1,050
Common Stock		40,000
Dividends	1,500	
Sales Commissions		18,750
Rent Expense	4,800	
Office Salaries Expense	3,500	
Automobile Expense	1,580	
Supplies Expense	1,300	
Miscellaneous Expense	800	
	59,800	59,800

4.
 - a. \$18,750
 - b. \$11,980 ($\$4,800 + \$3,500 + \$1,580 + \$1,300 + \800)
 - c. \$6,770 ($\$18,750 - \$11,980$)
5. \$5,270, which is the excess of net income of \$6,770 over the dividends of \$1,500.

Prob. 2-3A

1.

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Date	Description	Post. Ref.	Debit	Credit
20Y9				
Nov. 1	Cash	11	50,000	
	Common Stock	31		50,000
	1 Rent Expense	53	4,000	
	Cash	11		4,000
	6 Equipment	16	15,000	
	Accounts Payable	22		15,000
	8 Truck	18	38,500	
	Cash	11		5,000
	Notes Payable	21		33,500
	10 Supplies	13	1,750	
	Cash	11		1,750
	12 Cash	11	11,500	
	Fees Earned	41		11,500
	15 Prepaid Insurance	14	2,400	
	Cash	11		2,400
	23 Accounts Receivable	12	22,300	
	Fees Earned	41		22,300
	24 Truck Expense	55	1,250	
	Accounts Payable	22		1,250

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Date	Description	Post. Ref.	Debit	Credit
20Y9				
Nov. 29	Utilities Expense	54	4,500	
	Cash	11		4,500
	29 Miscellaneous Expense	59	1,000	
	Cash	11		1,000

Prob. 2-3A (Continued)

	30	Cash	11	9,000	
		Accounts Receivable	12		9,000
	30	Wages Expense	51	6,800	
		Cash	11		6,800
	30	Accounts Payable	22	3,000	
		Cash	11		3,000
	30	Dividends	33	2,500	
		Cash	11		2,500

2.

GENERAL LEDGER

Account: **Cash**

Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	1		1	50,000		50,000	
	1		1		4,000	46,000	
	8		1		5,000	41,000	
	10		1		1,750	39,250	
	12		1	11,500		50,750	
	15		1		2,400	48,350	
	29		2		4,500	43,850	
	29		2		1,000	42,850	
	30		2	9,000		51,850	
	30		2		6,800	45,050	
	30		2		3,000	42,050	
	30		2		2,500	39,550	

Account: **Accounts Receivable**

Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	23		1	22,300		22,300	
	30		2		9,000	13,300	

Prob. 2–3A (Continued)

Account: Supplies Account No. 13

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	10		1	1,750		1,750	

Account: Prepaid Insurance Account No. 14

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	15		1	2,400		2,400	

Account: Equipment Account No. 16

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	6		1	15,000		15,000	

Account: Truck Account No. 18

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	8		1	38,500		38,500	

Account: Notes Payable Account No. 21

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	8		1		33,500		33,500

Account: Accounts Payable Account No. 22

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	6		1		15,000		15,000
	24		1		1,250		16,250
	30		2	3,000			13,250

Prob. 2-3A (Continued)

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	1		1		50,000		50,000

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	30		2	2,500		2,500	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	12		1		11,500		11,500
	23		1		22,300		33,800

Account: Wages Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	30		2	6,800		6,800	

Account: Rent Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	1		1	4,000		4,000	

Account: Utilities Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	29		2	4,500		4,500	

Prob. 2–3A (Continued)Account: Truck ExpenseAccount No. 55

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	24		1	1,250		1,250	

Account: Miscellaneous ExpenseAccount No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y9							
Nov.	29		2	1,000		1,000	

Prob. 2–3A (Concluded)

3.

Heritage Designs Unadjusted Trial Balance November 30, 20Y9			
	Account No.	Debit Balances	Credit Balances
Cash	11	39,550	
Accounts Receivable	12	13,300	
Supplies	13	1,750	
Prepaid Insurance	14	2,400	
Equipment	16	15,000	
Truck	18	38,500	
Notes Payable	21		33,500
Accounts Payable	22		13,250
Common Stock	31		50,000
Dividends	33	2,500	
Fees Earned	41		33,800
Wages Expense	51	6,800	
Rent Expense	53	4,000	
Utilities Expense	54	4,500	
Truck Expense	55	1,250	
Miscellaneous Expense	59	1,000	
		130,550	130,550

4. \$16,250 (\$33,800 – \$6,800 – \$4,000 – \$4,500 – \$1,250 – \$1,000)

5. Some supplies may have been used during November, but no supplies expense has been recorded.

As will be discussed in Chapter 3, adjustments are necessary at the end of the accounting period to bring the accounts up to date. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required by Heritage Designs.

Note to Instructors: At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2-4A

2. and 3.

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Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	1	Rent Expense	52	6,500	
		Cash	11		6,500
	2	Office Supplies	14	2,300	
		Accounts Payable	21		2,300
	5	Prepaid Insurance	13	6,000	
		Cash	11		6,000
	10	Cash	11	52,300	
		Accounts Receivable	12		52,300
	15	Land	16	200,000	
		Cash	11		30,000
		Notes Payable	23		170,000
	17	Accounts Payable	21	6,450	
		Cash	11		6,450
	20	Accounts Payable	21	325	
		Office Supplies	14		325
	23	Advertising Expense	53	4,300	
		Cash	11		4,300

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Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	27	Cash	11	2,500	
		Salary and Commission Expense	51		2,500
	28	Automobile Expense	54	1,500	
		Cash	11		1,500
	29	Miscellaneous Expense	59	1,400	
		Cash	11		1,400

Prob. 2-4A (Continued)

	30	Accounts Receivable	12	57,000	
		Fees Earned	41		57,000
	30	Salary and Commission Expense	51	11,900	
		Cash	11		11,900
	30	Dividends	33	4,000	
		Cash	11		4,000
	30	Cash	11	10,000	
		Unearned Rent	22		10,000

1. and 3.

GENERAL LEDGER

Account: Cash

Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y3							
Apr.	1	Balance	✓			26,300	
	1		18		6,500	19,800	
	5		18		6,000	13,800	
	10		18	52,300		66,100	
	15		18		30,000	36,100	
	17		18		6,450	29,650	
	23		18		4,300	25,350	
	27		19	2,500		27,850	
	28		19		1,500	26,350	
	29		19		1,400	24,950	
	30		19		11,900	13,050	
	30		19		4,000	9,050	
	30		19	10,000		19,050	

Account: **Accounts Receivable**

Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y3							
Apr.	1	Balance	✓			61,500	
	10		18		52,300	9,200	
	30		19	57,000		66,200	

Prob. 2-4A (Continued)

Account: Prepaid InsuranceAccount No. 13

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		3,000	
	5		18	6,000	9,000	

Account: Office SuppliesAccount No. 14

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		1,800	
	2		18	2,300	4,100	
	20		18	325	3,775	

Account: LandAccount No. 16

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	15		18	200,000	200,000	

Account: Accounts PayableAccount No. 21

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓			14,000
	2		18	2,300		16,300
	17		18	6,450		9,850
	20		18	325		9,525

Account: Unearned RentAccount No. 22

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	30		19	10,000		10,000

Account: Notes PayableAccount No. 23

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	15		18	170,000		170,000

Prob. 2–4A (Continued)

Account: Common Stock Account No. 31

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓			10,000

Account: Retained Earnings Account No. 32

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓			36,000

Account: Dividends Account No. 33

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		2,000	
	30		19	4,000	6,000	

Account: Fees Earned Account No. 41

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓			240,000
	30		19	57,000		297,000

Account: Salary and Commission Expense Account No. 51

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		148,200	
	27		19	2,500	145,700	
	30		19	11,900	157,600	

Account: Rent Expense Account No. 52

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		30,000	
	1		18	6,500	36,500	

Prob. 2–4A (Continued)

Account: **Advertising Expense**Account No. **53**

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		17,800	
	23		18	4,300	22,100	

Account: **Automobile Expense**Account No. **54**

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		5,500	
	28		19	1,500	7,000	

Account: **Miscellaneous Expense**Account No. **59**

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Apr.	1	Balance	✓		3,900	
	29		19	1,400	5,300	

4.

Elite Realty Unadjusted Trial Balance April 30, 20Y3			
	Account No.	Debit Balances	Credit Balances
Cash	11	19,050	
Accounts Receivable	12	66,200	
Prepaid Insurance	13	9,000	
Office Supplies	14	3,775	
Land	16	200,000	
Accounts Payable	21		9,525
Unearned Rent	22		10,000
Notes Payable	23		170,000
Common Stock	31		10,000
Retained Earnings	32		36,000
Dividends	33	6,000	
Fees Earned	41		297,000
Salary and Commission Expense	51	157,600	
Rent Expense	52	36,500	
Advertising Expense	53	22,100	
Automobile Expense	54	7,000	
Miscellaneous Expense	59	5,300	
		532,525	532,525

Prob. 2–4A (Concluded)

5. (a) The unadjusted trial balance in (4) still balances because the debits equaled the credits in the original journal entry.
- (b) The correcting entry for \$7,200 (\$19,100 – \$11,900) would be as follows:

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Date		Description	Post. Ref.	Debit	Credit
20Y3					
Apr.	30	Salary and Commission Expense	51	7,200	
		Cash	11		7,200

- (c) Transposition

Prob. 2–5A

1.

The Lexington Group Unadjusted Trial Balance May 31, 20Y6		
	Debit Balances	Credit Balances
Cash	18,750	
Accounts Receivable	53,500	
Supplies	2,225	
Prepaid Insurance	7,400	
Equipment	171,175	
Notes Payable		45,000
Accounts Payable		36,000
Common Stock		50,000
Retained Earnings		89,150
Dividends	20,000	
Fees Earned		429,850
Wages Expense	270,000	
Rent Expense	60,300	
Advertising Expense	25,200	
Gas, Electricity, and Water Expense	16,350	
Miscellaneous Expense	5,100	
	650,000	650,000

Cash = \$20,350 – \$7,000 (a) + \$5,400 (b) = \$18,750

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

Prob. 2-1B

1. and 2.

Cash		Accounts Payable	
(a) 18,000	(b) 2,500	(h) 1,800	(e) 6,500
(g) 12,000	(c) 3,150		(j) 2,500
	(d) 1,450		Bal. 7,200
	(f) 2,400	Common Stock	
	(h) 1,800		(a) 18,000
	(i) 375	Professional Fees	
	(l) 2,800		(g) 12,000
	(m) 200		(k) 15,650
	(n) 300		Bal. 27,650
	(o) 550		
Bal. 14,475			

Accounts Receivable		Rent Expense	
(k) 15,650		(c) 3,150	

Supplies		Salary Expense	
(d) 1,450		(l) 2,800	

Prepaid Insurance		Blueprint Expense	
(f) 2,400		(j) 2,500	

Automobiles		Automobile Expense	
(b) 19,500		(o) 550	

Equipment		Miscellaneous Expense	
(e) 6,500		(i) 375	
		(m) 200	
		Bal. 575	

Notes Payable			
(n) 300	(b) 17,000		
	Bal. 16,700		

Prob. 2-1B (Concluded)

3.

Jones Architects Unadjusted Trial Balance April 30, 20Y2		
	Debit Balances	Credit Balances
Cash	14,475	
Accounts Receivable	15,650	
Supplies	1,450	
Prepaid Insurance	2,400	
Automobiles	19,500	
Equipment	6,500	
Notes Payable		16,700
Accounts Payable		7,200
Common Stock		18,000
Professional Fees		27,650
Rent Expense	3,150	
Salary Expense	2,800	
Blueprint Expense	2,500	
Automobile Expense	550	
Miscellaneous Expense	575	
	69,550	69,550

4. Net income, \$18,075 ($\$27,650 - \$3,150 - \$2,800 - \$2,500 - \$550 - \575)

Prob. 2-2B

1.	(a)	Cash	17,500	
		Common Stock		17,500
	(b)	Supplies	2,300	
		Accounts Payable		2,300
	(c)	Cash	13,300	
		Sales Commissions		13,300
	(d)	Rent Expense	3,000	
		Cash		3,000
	(e)	Accounts Payable	1,150	
		Cash		1,150
	(f)	Dividends	1,800	
		Cash		1,800
	(g)	Automobile Expense	1,500	
		Miscellaneous Expense	400	
		Cash		1,900
	(h)	Office Salaries Expense	2,800	
		Cash		2,800
	(i)	Supplies Expense	1,050	
		Supplies		1,050

Prob. 2–2B (Continued)

2.

Cash		Sales Commissions	
(a) 17,500	(d) 3,000		(c) 13,300
(c) 13,300	(e) 1,150		
	(f) 1,800		
	(g) 1,900		
	(h) 2,800		
Bal. 20,150			
Supplies		Office Salaries Expense	
(b) 2,300	(i) 1,050	(h) 2,800	
Bal. 1,250			
Accounts Payable		Automobile Expense	
(e) 1,150	(b) 2,300	(g) 1,500	
	Bal. 1,150		
Common Stock		Supplies Expense	
	(a) 17,500	(i) 1,050	
Dividends		Miscellaneous Expense	
(f) 1,800		(g) 400	

Prob. 2-2B (Concluded)

Planet Realty Unadjusted Trial Balance August 31, 20Y7		
	Debit Balances	Credit Balances
Cash	20,150	
Supplies	1,250	
Accounts Payable		1,150
Common Stock		17,500
Dividends	1,800	
Sales Commissions		13,300
Rent Expense	3,000	
Office Salaries Expense	2,800	
Automobile Expense	1,500	
Supplies Expense	1,050	
Miscellaneous Expense	400	
	31,950	31,950

4.
 - a. \$13,300
 - b. \$8,750 (\$3,000 + \$2,800 + \$1,500 + \$1,050 + \$400)
 - c. \$4,550 (\$13,300 – \$8,750)
5. \$2,750, which is the excess of net income of \$4,550 over the dividends of \$1,800.

Prob. 2–3B

1.

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Page 1

Date		Description	Post. Ref.	Debit	Credit
20Y4					
Oct.	1	Cash	11	18,000	
		Common Stock	31		18,000
	4	Rent Expense	53	3,000	
		Cash	11		3,000
	10	Truck	18	23,750	
		Cash	11		3,750
		Notes Payable	21		20,000
	13	Equipment	16	10,500	
		Accounts Payable	22		10,500
	14	Supplies	13	2,100	
		Cash	11		2,100
	15	Prepaid Insurance	14	3,600	
		Cash	11		3,600
	15	Cash	11	8,950	
		Fees Earned	41		8,950

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Page 2

Date		Description	Post. Ref.	Debit	Credit
20Y4					
Oct.	21	Accounts Payable	22	2,000	
		Cash	11		2,000
	24	Accounts Receivable	12	14,150	
		Fees Earned	41		14,150
	26	Truck Expense	55	700	
		Accounts Payable	22		700
	27	Utilities Expense	54	2,240	
		Cash	11		2,240

Prob. 2-3B (Continued)

	27	Miscellaneous Expense	59	1,100	
		Cash	11		1,100
	29	Cash	11	7,600	
		Accounts Receivable	12		7,600
	30	Wages Expense	51	4,800	
		Cash	11		4,800
	31	Dividends	33	3,500	
		Cash	11		3,500

2.

GENERAL LEDGER

Account: **Cash**

Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	1		1	18,000		18,000	
	4		1		3,000	15,000	
	10		1		3,750	11,250	
	14		1		2,100	9,150	
	15		1		3,600	5,550	
	15		1	8,950		14,500	
	21		2		2,000	12,500	
	27		2		2,240	10,260	
	27		2		1,100	9,160	
	29		2	7,600		16,760	
	30		2		4,800	11,960	
	31		2		3,500	8,460	

Account: **Accounts Receivable**

Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	24		2	14,150		14,150	
	29		2		7,600	6,550	

Prob. 2–3B (Continued)

Account: Supplies Account No. 13

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	14		1	2,100		2,100	

Account: Prepaid Insurance Account No. 14

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	15		1	3,600		3,600	

Account: Equipment Account No. 16

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	13		1	10,500		10,500	

Account: Truck Account No. 18

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	10		1	23,750		23,750	

Account: Notes Payable Account No. 21

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	10		1		20,000		20,000

Account: Accounts Payable Account No. 22

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	13		1		10,500		10,500
	21		2	2,000			8,500
	26		2		700		9,200

Prob. 2–3B (Continued)

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	1		1		18,000		18,000

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	31		2	3,500		3,500	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	15		1		8,950		8,950
	24		2		14,150		23,100

Account: Wages Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	30		2	4,800		4,800	

Account: Rent Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	4		1	3,000		3,000	

Account: Utilities Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	27		2	2,240		2,240	

Prob. 2–3B (Continued)Account: Truck Expense Account No. 55

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	26		2	700		700	

Account: Miscellaneous Expense Account No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y4							
Oct.	27		2	1,100		1,100	

Prob. 2–3B (Concluded)

3.

Pioneer Designs Unadjusted Trial Balance October 31, 20Y4			
	Account No.	Debit Balances	Credit Balances
Cash	11	8,460	
Accounts Receivable	12	6,550	
Supplies	13	2,100	
Prepaid Insurance	14	3,600	
Equipment	16	10,500	
Truck	18	23,750	
Notes Payable	21		20,000
Accounts Payable	22		9,200
Common Stock	31		18,000
Dividends	33	3,500	
Fees Earned	41		23,100
Wages Expense	51	4,800	
Rent Expense	53	3,000	
Utilities Expense	54	2,240	
Truck Expense	55	700	
Miscellaneous Expense	59	1,100	
		70,300	70,300

4. \$11,260 (\$23,100 – \$4,800 – \$3,000 – \$2,240 – \$700 – \$1,100)
5. Some supplies may have been used during October, but no supplies expense has been recorded.

As will be discussed in Chapter 3, adjustments are necessary at the end of the accounting period to bring the accounts up to date. For example, adjustments for supplies used, insurance expired, and depreciation would probably be required by Pioneer Designs.

Note to Instructors: At this point, students have not been exposed to depreciation, but some insightful students might recognize the need for recording supplies used and insurance expired. You might use this as an opportunity to discuss what is coming in Chapter 3.

Prob. 2-4B

2. and 3.

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Date	Description	Post. Ref.	Debit	Credit
20Y8				
Aug. 1	Office Supplies	14	3,150	
	Accounts Payable	21		3,150
	2 Rent Expense	52	7,200	
	Cash	11		7,200
	3 Cash	11	83,900	
	Accounts Receivable	12		83,900
	5 Prepaid Insurance	13	12,000	
	Cash	11		12,000
	9 Accounts Payable	21	400	
	Office Supplies	14		400
	17 Advertising Expense	53	8,000	
	Cash	11		8,000
	23 Accounts Payable	21	13,750	
	Cash	11		13,750

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Date	Description	Post. Ref.	Debit	Credit
20Y8				
Aug. 29	Miscellaneous Expense	59	1,700	
	Cash	11		1,700
	30 Automobile Expense	54	2,500	
	Cash	11		2,500
	31 Cash	11	2,000	
	Salary and Commission Expense	51		2,000
	31 Salary and Commission Expense	51	53,000	
	Cash	11		53,000

Prob. 2-4B (Continued)

	31	Accounts Receivable	12	183,500	
		Fees Earned	41		183,500
	31	Land	16	75,000	
		Cash	11		7,500
		Notes Payable	23		67,500
	31	Dividends	33	1,000	
		Cash	11		1,000
	31	Cash	11	5,000	
		Unearned Rent	22		5,000

1. and 3.

GENERAL LEDGER

Account: Cash Account No. 11

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			52,500	
	2		18		7,200	45,300	
	3		18	83,900		129,200	
	5		18		12,000	117,200	
	17		18		8,000	109,200	
	23		18		13,750	95,450	
	29		19		1,700	93,750	
	30		19		2,500	91,250	
	31		19	2,000		93,250	
	31		19		53,000	40,250	
	31		19		7,500	32,750	
	31		19		1,000	31,750	
	31		19	5,000		36,750	

Account: Accounts Receivable Account No. 12

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			100,100	
	3		18		83,900	16,200	
	31		19	183,500		199,700	

Prob. 2-4B (Continued)

Account: Prepaid InsuranceAccount No. 13

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			12,600	
	5		18	12,000		24,600	

Account: Office SuppliesAccount No. 14

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			2,800	
	1		18	3,150		5,950	
	9		18		400	5,550	

Account: LandAccount No. 16

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	31		19	75,000		75,000	

Account: Accounts PayableAccount No. 21

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓				21,000
	1		18		3,150		24,150
	9		18	400			23,750
	23		18	13,750			10,000

Account: Unearned RentAccount No. 22

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	31		19		5,000		5,000

Account: Notes PayableAccount No. 23

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	31		19		67,500		67,500

Prob. 2-4B (Continued)

Account: Common Stock Account No. 31

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓			17,500

Account: Retained Earnings Account No. 32

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓			70,000

Account: Dividends Account No. 33

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓		44,800	
	31		19	1,000	45,800	

Account: Fees Earned Account No. 41

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓			591,500
	31		19	183,500		775,000

Account: Salary and Commission Expense Account No. 51

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓		385,000	
	31		19	2,000	383,000	
	31		19	53,000	436,000	

Account: Rent Expense Account No. 52

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y8						
Aug.	1	Balance	✓		49,000	
	2		18	7,200	56,200	

Prob. 2-4B (Continued)

Account: Advertising Expense Account No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			32,200	
	17		18	8,000		40,200	

Account: Automobile Expense Account No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			15,750	
	30		19	2,500		18,250	

Account: Miscellaneous Expense Account No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y8							
Aug.	1	Balance	✓			5,250	
	29		19	1,700		6,950	

Prob. 2-4B (Concluded)

4.

Valley Realty Unadjusted Trial Balance August 31, 20Y8			
	Account No.	Debit Balances	Credit Balances
Cash	11	36,750	
Accounts Receivable	12	199,700	
Prepaid Insurance	13	24,600	
Office Supplies	14	5,550	
Land	16	75,000	
Accounts Payable	21		10,000
Unearned Rent	22		5,000
Notes Payable	23		67,500
Common Stock	31		17,500
Retained Earnings	32		70,000
Dividends	33	45,800	
Fees Earned	41		775,000
Salary and Commission Expense	51	436,000	
Rent Expense	52	56,200	
Advertising Expense	53	40,200	
Automobile Expense	54	18,250	
Miscellaneous Expense	59	6,950	
		945,000	945,000

5. (a) The unadjusted trial balance in (4) still balances because the debits equaled the credits in the original journal entry.

(b) The correcting entry for \$9,000 (\$10,000 – \$1,000) would be as follows:

JOURNAL

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Date	Description	Post. Ref.	Debit	Credit
20Y8				
Aug. 31	Dividends	33	9,000	
	Cash	11		9,000

(c) Slide

Prob. 2–5B

Tech Support Services Unadjusted Trial Balance January 31, 20Y5		
	Debit Balances	Credit Balances
Cash	20,250	
Accounts Receivable	56,400	
Supplies	6,750	
Prepaid Insurance	9,600	
Equipment	162,000	
Notes Payable		54,000
Accounts Payable		16,650
Common Stock		18,000
Retained Earnings		89,850
Dividends	39,000	
Fees Earned		534,000
Wages Expense	306,000	
Rent Expense	62,550	
Advertising Expense	28,350	
Gas, Electricity, and Water Expense	17,000	
Miscellaneous Expense	4,600	
	712,500	712,500

Cash = \$25,550 – \$8,000 (a) + \$2,700 (b)

2. No. The trial balance indicates only that the debits and credits are equal. Any errors that have the same effect on debits and credits will not affect the balancing of the trial balance.

CONTINUING PROBLEM

2. and 3.

JOURNALPage 1

Date	Description	Post. Ref.	Debit	Credit
20Y5				
July				
1	Cash	11	5,000	
	Common Stock	31		5,000
1	Office Rent Expense	51	1,750	
	Cash	11		1,750
1	Prepaid Insurance	15	2,700	
	Cash	11		2,700
2	Cash	11	1,000	
	Accounts Receivable	12		1,000
3	Cash	11	7,200	
	Unearned Revenue	23		7,200
3	Accounts Payable	21	250	
	Cash	11		250
4	Miscellaneous Expense	59	900	
	Cash	11		900
5	Office Equipment	17	7,500	
	Accounts Payable	21		7,500
8	Advertising Expense	55	200	
	Cash	11		200
11	Cash	11	1,000	
	Fees Earned	41		1,000
13	Equipment Rent Expense	52	700	
	Cash	11		700
14	Wages Expense	50	1,200	
	Cash	11		1,200

Continuing Problem (Continued)

2. and 3.

JOURNAL

Page 2

Date	Description	Post. Ref.	Debit	Credit
20Y5				
July 16	Cash	11	2,000	
	Fees Earned	41		2,000
	18 Supplies	14	850	
	Accounts Payable	21		850
	21 Music Expense	54	620	
	Cash	11		620
	22 Advertising Expense	55	800	
	Cash	11		800
	23 Cash	11	750	
	Accounts Receivable	12	1,750	
	Fees Earned	41		2,500
	27 Utilities Expense	53	915	
	Cash	11		915
	28 Wages Expense	50	1,200	
	Cash	11		1,200
	29 Miscellaneous Expense	59	540	
	Cash	11		540
	30 Cash	11	500	
	Accounts Receivable	12	1,000	
	Fees Earned	41		1,500
	31 Cash	11	3,000	
	Fees Earned	41		3,000
	31 Music Expense	54	1,400	
	Cash	11		1,400
	31 Dividends	33	1,250	
	Cash	11		1,250

Continuing Problem (Continued)

1. and 3.

Account: CashAccount No. 11

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y5						
July	1	✓			3,920	
	1	1	5,000		8,920	
	1	1		1,750	7,170	
	1	1		2,700	4,470	
	2	1	1,000		5,470	
	3	1	7,200		12,670	
	3	1		250	12,420	
	4	1		900	11,520	
	8	1		200	11,320	
	11	1	1,000		12,320	
	13	1		700	11,620	
	14	1		1,200	10,420	
	16	2	2,000		12,420	
	21	2		620	11,800	
	22	2		800	11,000	
	23	2	750		11,750	
	27	2		915	10,835	
	28	2		1,200	9,635	
	29	2		540	9,095	
	30	2	500		9,595	
	31	2	3,000		12,595	
	31	2		1,400	11,195	
	31	2		1,250	9,945	

Account: Accounts ReceivableAccount No. 12

Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y5						
July	1	✓			1,000	
	2	1		1,000	—	—
	23	2	1,750		1,750	
	30	2	1,000		2,750	

Continuing Problem (Continued)

Account: Supplies Account No. 14

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			170	
	18		2	850		1,020	

Account: Prepaid Insurance Account No. 15

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1		1	2,700		2,700	

Account: Office Equipment Account No. 17

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	5		1	7,500		7,500	

Account: Accounts Payable Account No. 21

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓				250
	3		1	250		—	—
	5		1		7,500		7,500
	18		2		850		8,350

Account: Unearned Revenue Account No. 23

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	3		1		7,200		7,200

Account: Common Stock Account No. 31

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓				4,000
	1		1		5,000		9,000

Continuing Problem (Continued)

Account: Dividends Account No. 33

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			500	
	31		2	1,250		1,750	

Account: Fees Earned Account No. 41

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓				6,200
	11		1		1,000		7,200
	16		2		2,000		9,200
	23		2		2,500		11,700
	30		2		1,500		13,200
	31		2		3,000		16,200

Account: Wages Expense Account No. 50

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			400	
	14		1	1,200		1,600	
	28		2	1,200		2,800	

Account: Office Rent Expense Account No. 51

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			800	
	1		1	1,750		2,550	

Account: Equipment Rent Expense Account No. 52

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			675	
	13		1	700		1,375	

Continuing Problem (Continued)

Account: Utilities ExpenseAccount No. 53

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			300	
	27		2	915		1,215	

Account: Music ExpenseAccount No. 54

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			1,590	
	21		2	620		2,210	
	31		2	1,400		3,610	

Account: Advertising ExpenseAccount No. 55

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			500	
	8		1	200		700	
	22		2	800		1,500	

Account: Supplies ExpenseAccount No. 56

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			180	

Account: Miscellaneous ExpenseAccount No. 59

Date		Item	Post. Ref.	Debit	Credit	Balance	
						Debit	Credit
20Y5							
July	1	Balance	✓			415	
	4		1	900		1,315	
	29		2	540		1,855	

Continuing Problem (Concluded)

4.

PS Music Unadjusted Trial Balance July 31, 20Y5			
	Account No.	Debit Balances	Credit Balances
Cash	11	9,945	
Accounts Receivable	12	2,750	
Supplies	14	1,020	
Prepaid Insurance	15	2,700	
Office Equipment	17	7,500	
Accounts Payable	21		8,350
Unearned Revenue	23		7,200
Common Stock	31		9,000
Dividends	33	1,750	
Fees Earned	41		16,200
Wages Expense	50	2,800	
Office Rent Expense	51	2,550	
Equipment Rent Expense	52	1,375	
Utilities Expense	53	1,215	
Music Expense	54	3,610	
Advertising Expense	55	1,500	
Supplies Expense	56	180	
Miscellaneous Expense	59	1,855	
		40,750	40,750

MAKE A DECISION**MAD 2-1****a.**

Amazon.com, Inc. Income Statements For the Years Ended December 31 (in millions)				
	Year 2	Year 1	Increase/(Decrease)	
			Amount	Percent
Revenues:				
Product sales	\$ 94,665	\$ 79,268	\$15,397	19.4%
Service sales	41,322	27,738	13,584	49.0%
Total revenues	\$ 135,987	\$ 107,006	\$28,981	27.1%
Operating expenses:				
Cost of sales	\$ (88,265)	\$ (71,651)	16,614	23.2%
Fulfillment	(17,619)	(13,410)	4,209	31.4%
Marketing	(7,233)	(5,254)	1,979	37.7%
Technology and content	(16,085)	(12,540)	3,545	28.3%
General and administrative	(2,432)	(1,747)	685	39.2%
Other operating expense				
(income), net	(167)	(171)	(4)	(2.3)%
Total operating expenses	\$(131,801)	\$(104,773)	\$27,028	25.8%
Operating income	\$ 4,186	\$ 2,233	\$ 1,953	87.5%

- b. The horizontal analysis shows that total revenues increased by 27.1% between the two years, with a strong increase in service sales. Service sales are revenues earned from Amazon's Web hosting, Web design, and order fulfillment services provided for other businesses. This part of Amazon apparently has been growing rapidly. Total operating expenses have grown by 25.8% between the two years, indicating that expenses are growing slower than revenues. The expense growth appears to be occurring across all the major expense categories. The net result is a significant increase in operating income between the two years of 87.5%. Thus, Amazon demonstrates significant revenue and operating income growth from Year 1 to Year 2.

MAD 2-2**a.**

Chipotle Mexican Grill, Inc. Income Statements For the Years Ended December 31 (in thousands)				
	Year 2	Year 1	Increase/(Decrease)	
			Amount	Percent
Revenue	\$ 3,904,384	\$ 4,501,223	\$(596,839)	(13.3)%
Expenses:				
Food, beverage, packing	\$(1,365,580)	\$(1,503,835)	\$(138,255)	(9.2)%
Labor	(1,105,001)	(1,045,726)	59,275	5.7%
Rent (occupancy)	(293,636)	(262,412)	31,224	11.9%
General and administrative	(641,953)	(514,963)	126,990	24.7%
Other	(463,647)	(410,698)	52,949	12.9%
Total expenses	\$(3,869,817)	\$(3,737,634)	\$ 132,183	3.5%
Operating income	\$ 34,567	\$ 763,589	\$(729,022)	(95.5)%

- b. Revenue decreased by 13.3% in Year 2, while total expenses increased 3.5%. Food, beverage, packing expense decreased by 9.2%, while the other expenses increased from 5.7% (labor) to 24.7% (general and administrative). As a result, operating income decreased by 95.5%, a significant decrease and unfavorable result.
- c. The significant decrease in revenue and operating income in Year 2 was caused by food-borne illnesses (E. Coli) in as many as 15 states. As a result, customers avoided Chipotle's restaurants with a related decrease in revenue. The 9.2% decrease in food, beverage, packing expense is consistent with the decrease in customers and related revenue.

MAD 2-3

a.

Vera Bradley, Inc. Income Statements For the Years Ended January 31 (in millions)				
	Year 2	Year 1	Increase/(Decrease)	
			Amount	Percent
Revenue	\$ 502.6	\$ 509.0	\$ (6.4)	(1.3)%
Expenses:				
Cost of merchandise sold	\$(221.4)	\$(240.0)	\$(18.6)	(7.8)%
Selling, general, admin. expenses	(236.8)	(208.7)	28.1	13.5%
Other expenses	(16.8)	(21.9)	(5.1)	(23.3)%
Total expenses	\$(475.0)	\$(470.6)	\$ 4.4	0.9%
Operating income	\$ 27.6	\$ 38.4	\$(10.8)	(28.1)%

- b. Operating income decreased \$10.8 million or 28.1% in Year 2. This is a significant decrease and would be viewed unfavorably by stockholders. Revenue decreased by 1.3% (\$6.4 million), which was accompanied by a 7.8% (\$18.6 million) decrease in cost of merchandise sold. However, selling, general, admin. expenses increased by 13.5% (\$28.1 million), which was partially offset by a 23.3% (\$5.1 million) decrease in other expenses.

MAD 2-4

- a. 1. Revenue: \$73,785 – \$72,618 = \$1,167

$$\frac{\$1,167}{\$72,618} = 1.6\%$$

2. Operating expenses: \$68,875 – \$68,083 = \$792

$$\frac{\$792}{\$68,083} = 1.2\%$$

3. Operating income: \$4,910 – \$4,535 = \$375

$$\frac{\$375}{\$4,535} = 8.3\%$$

- b. The revenue increased by 1.6% between the two years, while the operating expenses grew by 1.2%. Thus, expenses grew less than revenues. As a result, operating income increased 8.3% in Year 2.

MAD 2-5

- a. 1. Revenue: $\$482,130 - \$485,651 = \$(3,521)$

$$\frac{\$(3,521)}{\$485,651} = (0.7)\%$$

2. Operating expenses: $\$458,025 - \$458,504 = \$(479)$

$$\frac{\$(479)}{\$458,504} = (0.1)\%$$

3. Operating income: $\$24,105 - \$27,147 = \$(3,042)$

$$\frac{\$(3,042)}{\$27,147} = (11.2)\%$$

- b. Revenue decreased by 0.7%, while operating expenses decreased only 0.1%. As a result, operating income decreased by 11.2%, which is an unfavorable change in Year 2.

MAD 2-6

Target's operating results improved from Year 1 to Year 2, while Wal-Mart's operating results declined. Specifically, Target's revenue and operating income increased by 1.6% and 8.3%. In contrast, Wal-Mart's revenue and operating income decreased by 0.7% and 11.2%.

TAKE IT FURTHER**TIF 2–1**

1. **No. For financial accounting information to be useful, it must accurately reflect an entity's business transactions and economic activity. For this to happen, each account must reflect the increases or decreases that result from each transaction. If the trial balance does not balance, it means that a transaction has not been accurately recorded in the accounts. By knowingly submitting a trial balance that does not accurately reflect the transactions in the accounts, Buddy is demonstrating a failure of individual character and is acting unethically.**
2. **The users of the financial information who rely upon this information will be affected, as the information will not be a faithful representation of the entity's economic activity.**
3. **Buddy should have discussed the issue with his supervisor and asked for more time to find the error.**

TIF 2–2

A sample solution based on Apple Inc.'s Form 10-K for the fiscal year ended September 24, 2016, follows:

1. **\$321,686 million**
2. **\$193,437**
3. **\$128,249 million (\$321,686 million total assets – \$193,437 million total liabilities)**
4. **3**
5. **2**
6. **The income statement reports a summary of revenues and expenses for a specific period of time, such as a month or a year. The balance sheet reports a list of assets, liabilities, and stockholders' equity as of a specific date, usually at the close of the last day of a month or a year.**

TIF 2–3

Note to Instructors: The purpose of this activity is to familiarize students with the job opportunities available in accounting, and allow them to demonstrate their ability to communicate the role of accounting in the context of a specific position that requires knowledge of accounting. An example of an advertisement for such a position is shown below. Individual student answers will vary depending on the specific scenario they select.

ABOUT THE COMPANY

Our client is looking to add a Financial Analyst. With a large and growing finance team, there is significant opportunity for growth and advancement within the department. The company boasts a team-oriented culture and provides its employees with the tools and training necessary to perform. Our client is looking to bring on more of a junior-level candidate who is looking to gain experience in his or her field of study. There will be hands-on training for the role that will evolve from a data analyst into a financial analyst and will be reporting to the director of finance. Our client is in the consumer goods industry and is an international company that has multiple opportunities for growth.

RESPONSIBILITIES OF THE FINANCIAL ANALYST

The Financial Analyst will:

- Conduct special studies to analyze complex financial actions and prepare recommendations for policy, procedure, control, or action.
- Analyze financial information to determine present and future financial performance.
- Evaluate complex profit plans, operating records, and financial statements.
- Direct preparation of studies, reports, analyses, and recommendations in areas such as budgets, forecasts, financial plans, statistical reports, and business forecasts.
- Coordinate with all levels of management to gather, analyze, summarize, and prepare recommendations regarding financial plans, trended future requirements, and operating forecasts.

Source: CareerBuilder.com

TIF 2–4

The following general journal entry should be used to record the receipt of tuition payments received in advance of classes:

Cash.....	XXX	
Unearned Tuition Deposits.....		XXX

Cash is an asset account, and Unearned Tuition Deposits is a liability account. As the classes are taught throughout the term, the unearned tuition deposits become earned revenue.

TIF 2–5

The journal is called the book of original entry. It provides a time-ordered history of the transactions that have occurred for the firm. This time-ordered history is very important because it allows one to trace ledger account balances back to the original transactions that created those balances. This is called an “audit trail.” If the firm recorded transactions by posting to ledgers directly, it would be nearly impossible to reconstruct actual transactions. The debits and credits would all be separated and accumulated into the ledger balances. Once the transactions become part of the ledger balances, the original transactions would be lost. That is, there would be no audit trail, and any errors that might occur in recording transactions would be almost impossible to trace. Thus, firms first record transaction debits and credits in a journal. These transactions are then posted to the ledger to update the account balances. The journal and ledger are linked using posting references. This allows an analyst to trace the transaction flow forward or backward, depending on the need.

TIF 2–6

1. The rules of debit and credit must be memorized. Dot is correct in that the rules of debit and credit could be reversed as long as everyone accepted and abided by the rules. However, the important point is that everyone accepts the rules as the way in which transactions should be recorded. This generates uniformity across the accounting profession and reduces errors and confusion. Because the current rules of debit and credit have been used for centuries, Dot should adapt to the current rules of debit and credit, rather than devise her own.

The primary reason that all accounts do not have the same rules for increases and decreases is for control of the recording process. The double-entry accounting system, which includes both (1) the rules of debit and credit and (2) the accounting equation, guarantees that (1) debits always equal credits and (2) assets always equal liabilities plus owner's equity. If all increases in the account were recorded by debits, then the control that debits always equal credits would be removed. In addition, the control that the normal balance of assets is a debit would also be removed. The accounting equation would still hold, but the control over recording transactions would be weakened.

Dot is correct that we could call the left and right sides of an account different terms, such as "LE" or "RE." Again, centuries of tradition dictate the current terminology used. One might note, however, that in Latin, *debere* (debit) means left and *credere* (credit) means right.

2. The accounting system may be designed to capture information about the buying habits of various customers or vendors, such as the quantity normally ordered, average amount ordered, number of returns, etc. Thus, in a sense, there can be other "sides" of (information about) a transaction that are recorded by the accounting system. Such information would be viewed as supplemental to the basic double-entry accounting system.

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CHART OF ACCOUNTS

GENERAL LEDGER

Balance Sheet Accounts		Income Statement Accounts	
<i>Current Assets</i>		<i>Sales</i>	
1110	Cash	4110	Sales—Computers
1115	Petty Cash	4115	Sales—Peripherals
1120	Accounts Receivable	4120	Sales—Computer Servicing
1125	Allowance for Doubtful Accounts		
1130	Merchandise Inventory—Computers	<i>Purchases</i>	
1135	Merchandise Inventory—Peripherals	5110	Purchases—Computers
1140	Store Supplies	5115	Purchases—Peripherals
1145	Office Supplies	5120	Purchases Returns and Allowances
1150	Prepaid Insurance	5125	Purchases Discounts
		5130	Freight In
<i>Property, Plant, & Equipment</i>		<i>Selling Expenses</i>	
1210	Land	6110	Sales Salaries Expense
1215	Building	6115	Advertising Expense
1220	Accumulated Depreciation—Building	6120	Depreciation Expense—Store Equipment
1225	Office Equipment	6125	Store Supplies Expense
1230	Accumulated Depreciation—Office Equipment		
1235	Store Equipment	<i>General Expenses</i>	
1240	Accumulated Depreciation—Store Equipment	6210	Officers' Salaries Expense
		6215	Office Salaries Expense
<i>Current Liabilities</i>		6220	Payroll Taxes Expense
2110	Accounts Payable	6225	Utilities Expense
2115	Salaries Payable	6230	Depreciation Expense—Building
2120	Employees' Federal Income Tax Payable	6235	Depreciation Expense—Office Equipment
2125	FICA Tax Payable	6240	Repairs & Maintenance Expense
2130	State Unemployment Tax Payable	6245	Property Tax Expense
2135	Federal Unemployment Tax Payable	6250	Insurance Expense
2140	Cash Dividends Payable	6255	Uncollectible Accounts Expense
2150	Customer Refunds Payable	6260	Office Supplies Expense
		6265	Professional Fees Expense
<i>Long-Term Liabilities</i>		<i>Other Expenses</i>	
2210	Notes Payable	7110	Interest Expense
<i>Stockholders' Equity</i>			
3110	Common Stock, \$10 Par		
3115	Preferred 4% Stock, \$100 Par		
3120	Paid-In Capital in Excess of Par—Common Stock		
3125	Paid-In Capital in Excess of Par—Preferred Stock		
3130	Retained Earnings		
3135	Cash Dividends		
3140	Income Summary		

ACCOUNTS RECEIVABLE LEDGER

Advantage Learning Center, LLC	Gulfview Realtors, Inc.	Preston Brown, JD
Amy Dillo's Grill & Bar	Land & Sea Builders	South Texas Dental Group
Gilley's Sports Bar	Lucky Dog Trainers	Wekiva Water Sports, Inc.
Green Energy Enterprises	Nassau Bay Marina	Zack Construction Company

ACCOUNTS PAYABLE LEDGER

D&R Computers	Ruiz & Yee, Attorneys
Kupta Store Supplies & Equipment Company	Supplies R Us, Inc.
Mega Computer Supply, Inc.	

JP'S TECH SOLUTIONS SALES & SERVICES, INC.

ANALYSIS TEST

Name _____ Date _____ Grade _____

Journals

1. Total cash payments for December	\$ 54,104.07
2. Total accounts payable in the purchases journal for December	\$ 17,601.00
3. Total cash receipts for December	\$ 227,175.01
4. Total accounts receivable in the revenue journal for December	\$ 20,709.76

Subsidiary Ledgers

5. Amy Dillo's Grill & Bar accounts receivable balance at December 31	\$ 11,715.00
6. D&R Computers accounts payable balance at December 31	\$ 12,569.25

Work Sheet

7. Total amount of Trial Balance Debit column	\$ 1,329,451.84
8. Total amount of Adjustments Credit column	\$ 384,146.17
9. Net income for the year	\$ 54,038.44
10. Total amount of Balance Sheet Debit column	\$ 670,322.37

Income Statement

11. Total sales for the year	\$ 731,927.64
12. Cost of merchandise sold for the year	\$ 502,148.43
13. Total operating expenses	\$ 171,990.77
14. Income from operations for the year	\$ 57,788.44

Retained Earnings Statement

15. Net increase in retained earnings for the year	\$ 20,963.44
16. Retained earnings, December 31, 20--	\$ 55,618.50

Balance Sheet

17. Total current assets as of December 31	\$ 476,421.68
18. Total property, plant, and equipment as of December 31	\$ 122,661.94
19. Total stockholders' equity as of December 31	\$ 528,118.50

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JOURNALS

REVENUE JOURNAL

PAGE 12

	DATE		INV NO.	ACCOUNT DEBITED	POST. REF.	ACCOUNTS RECEIVABLE DEBIT				SALES—COMPUTERS CREDIT				SALES—PERIPHERALS CREDIT				SALES—COMPUTER SERVICING CREDIT									
1	20--																				1						
2	Dec.	1	707	South Texas Dental Group	✓	1	0	4	6	64		5	5	0	52		4	9	6	12		2					
3		3	708	Green Energy Enterprises	✓	4	0	2	4	12	4	0	2	4	12							3					
4		6	709	Gulfview Realtors, Inc.	✓		7	3	4	25		7	3	4	25							4					
5		7	710	Amy Dillo's Grill & Bar	✓	9	3	6	9	75										9	3	6	9	75	5		
6		3	711	South Texas Dental Group	✓	1	1	3	9	25	1	1	3	9	25										6		
7		9	712	Gilley's Sports Bar	✓	1	1	5	6	50										1	1	5	6	50	7		
8		12	713	Land & Sea Builders	✓	3	2	3	9	25	3	2	3	9	25										8		
9		31		Totals		20	7	0	9	76	9	6	8	7	39		4	9	6	12	10	5	2	6	25	9	
10						(1	1	2	0	)	(4	1	1	0	)		(4	1	1	5	)	(4	1	2	0	)	10
11																									11		
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CASH RECEIPTS

	DATE	ACCOUNT CREDITED	POST. REF.	OTHER ACCOUNTS CREDIT	
1	20--				1
2	Dec. 1	Gulfview Realtors, Inc.	✓		2
3	3	Cash Sales	✓		3
4	6	Land & Sea Builders	✓		4
5	6	Nassau Bay Marina	✓		5
6	7	Zack Construction Company	✓		6
7	9	Wekiva Water Sports, Inc.	✓		7
8	9	Office Supplies	1145	9 7 50	8
9	10	Cash Sales	✓		9
10	11	Preston Brown, JD	✓		10
11	11	South Texas Dental Group	✓		11
12	12	Green Energy Enterprises	✓		12
13	14	Common Stock, \$10 Par	3110	10 0 0 0 0 00	13
14		Paid-In Capital in Excess of Par—Common Stock	3120	7 2 5 0 0 00	14
15	16	Gulfview Realtors, Inc.	✓		15
16	17	Cash Sales	✓		16
17	18	South Texas Dental Group	✓		17
18	24	Cash Sales	✓		18
19	31	Cash Sales	✓		19
20	31	Totals		17 2 5 9 7 50	20
21					21
22					22
23					23
24					24
25					25
26					26
27					27
28					28
29					29
30					30
31					31
32					32
33					33

	SALES— COMPUTERS CREDIT					SALES— PERIPHERALS CREDIT					SALES— COMPUTER SERVICING CREDIT					ACCOUNTS RECEIVABLE CREDIT					CASH DEBIT															
1																										1										
2														2	3	5	2	00		2	3	5	2	00			2									
3		5	5	1	7	75		7	8	2	4	00							1	3	3	4	1	75			3									
4														1	5	4	3	50		1	5	4	3	50			4									
5														3	0	1	3	50		3	0	1	3	50			5									
6														4	1	8	9	50		4	1	8	9	50			6									
7															5	6	1	75			5	6	1	75			7									
8																						9	7	50			8									
9		5	2	1	0	25			5	8	7	25		7	1	0	25			6	5	0	7	75			9									
10														1	3	0	2	75		1	3	0	2	75			10									
11														1	0	4	6	64		1	0	4	6	64			11									
12														4	0	2	4	12		4	0	2	4	12			12									
13																											13									
14																				17	2	5	0	0	00		14									
15															7	3	4	25			7	3	4	25			15									
16		5	6	1	9	00		1	1	4	9	00		5	5	2	75			7	3	2	0	75			16									
17														1	1	3	9	25		1	1	3	9	25			17									
18		4	8	1	5	75			9	9	5	25								5	8	1	1	00			18									
19		1	1	7	9	75			5	0	9	25								1	6	8	9	00			19									
20		2	2	3	4	2	50		1	1	0	6	4	75		1	2	6	3	00	1	9	9	0	7	26	22	7	1	7	5	01	20			
21		(	4	1	1	0	)		(	4	1	1	5	)		(	4	1	2	0	)		(	1	1	2	0	)		(	1	1	1	0	)	21
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PURCHASES

	DATE		ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT						PURCHASES— COMPUTERS DEBIT								
1	20--															1			
2	Dec.	2	Kupta Store Supplies & Equipment	✓			2	9	6	25						2			
3		3	Ruiz & Yee, Attorneys	✓			5	6	0	25						3			
4		3	D&R Computers	✓			5	5	8	6	75		5	5	8	6	75	4	
5		3	Mega Computer Supply, Inc.	✓			2	6	0	1	00						5		
6		6	Supplies R Us, Inc.	✓			1	5	7	4	25						6		
7		14	D&R Computers	✓			6	9	8	2	50		6	9	8	2	50	7	
8		31	Totals				1	7	6	0	1	00	1	2	5	6	9	25	8
9							(	2	1	1	0	)	(	5	1	1	0	)	9
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31																		31	
32																		32	

	PURCHASES— PERIPHERALS DEBIT					STORE SUPPLIES DEBIT					OFFICE SUPPLIES DEBIT					OTHER ACCOUNTS DEBIT											
																ACCOUNT		POST. REF.	AMOUNT								
1																								1			
2								2	9	6	25														2		
3																Professional Fees Exp.	6265				5	6	0	25	3		
4																									4		
5		2	6	0	1	00																			5		
6									9	2	5	50			6	4	8	75								6	
7																									7		
8		2	6	0	1	00		1	2	2	1	75			6	4	8	75					5	6	0	25	8
9		(	5	1	1	5)		(	1	1	4	0)		(	1	1	4	5)					(	✓	)		9
10																										10	
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31																										31	
32																										32	

CASH PAYMENTS

	DATE	CK. NO.	PAYEE	POST. REF.	ACCOUNTS PAYABLE DEBIT	
1	20--					1
2	Dec.	1	1102 D&R Computers	✓	1 5 2 2 50	2
3		2	1103 Meyer Insurance Agency			3
4		2	1104 All-in-One Advertising			4
5		2	1105 South Houston Tabloid			5
6		3	1106 Dan's Furniture			6
7		6	1107 Master Computers			7
8		6	1108 Reliable Roofing, Inc.			8
9		8	1109 Ralph Radar			9
10		9	1110 Lynn Cho			10
11		10	1111 Payroll Bank Account			11
12		10	1112 Coral Community Bank			12
13						13
14		13	1113 Houston Power & Light			14
15		14	1114 ACI Telephone Company			15
16		15	1115 Houston Water			16
17		19	1116 Sparkling Janitorial Services, Inc.			17
18		20	1117 Coral Community Bank			18
19		24	1118 Payroll Bank Account			19
20		24	1119 Coral Community Bank			20
21						21
22		31	1120 Petty Cash			22
23						23
24						24
25		31	Totals		1 5 2 2 50	25
26					(2 1 1 0)	26
27						27
28						28
29						29
30						30
31						31
32						32

	PURCHASES— COMPUTERS DEBIT				PURCHASES DISCOUNTS CREDIT				CASH CREDIT				OTHER ACCOUNTS DEBIT														
													ACCOUNT		POST. REF.	AMOUNT											
1																							1				
2							3	0	45		1	4	9	2	05		✓							2			
3											2	2	7	0	00	Prepaid Insurance	1150		2	2	7	0	00	3			
4											1	0	4	7	75	Advertising Expense	6115		1	0	4	7	75	4			
5											2	4	5	6	25	Advertising Expense	6115		2	4	5	6	25	5			
6											7	0	1	1	75	Office Equipment	1225		7	0	1	1	75	6			
7		5	6	1	2	25					5	6	1	2	25		✓							7			
8												6	3	1	50	Repairs & Maint. Expense	6240			6	3	1	50	8			
9												2	0	9	25	Repairs & Maint. Expense	6240			2	0	9	25	9			
10												5	0	6	25	Professional Fees Exp.	6265			5	0	6	25	10			
11											2	8	9	6	41	Salaries Payable	2115		2	8	9	6	41	11			
12											2	0	8	2	18	FICA Tax Payable	2125			6	9	4	68	12			
13																Empl. Fed. Inc. Tax Pay.	2120		1	3	8	7	50	13			
14												2	7	9	91	Utilities Expense	6225			2	7	9	91	14			
15													9	9	17	Utilities Expense	6225				9	9	17	15			
16													4	7	42	Utilities Expense	6225				4	7	42	16			
17												1	3	1	25	Repairs & Maint. Expense	6240			1	3	1	25	17			
18											2	2	0	5	00	Cash Dividends Payable	2140	2	2	0	5	0	00	18			
19												3	2	7	5	68	Salaries Payable	2115		3	2	7	5	68	19		
20												1	7	7	0	64	FICA Tax Payable	2125			7	0	4	14	20		
21																Empl. Fed. Inc. Tax Pay.	2120		1	0	6	6	50	21			
22												2	3	4	36	Store Supplies	1140			1	0	7	24	22			
23																Office Supplies	1145			1	1	4	20	23			
24																Freight In	5130				1	2	92	24			
25		5	6	1	2	25			3	0	45	5	4	1	0	4	07			4	6	9	9	9	77	25	
26		(	5	1	1	0	)		(	5	1	2	5	)		(	1	1	1	0	)			(	✓	)	26
27																									27		
28																									28		
29																									29		
30																									30		
31																									31		
32																									32		

JOURNAL

PAGE 9

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--					1
2	Dec. 6	Cash Dividends	3135	2 2 0 5 0 00		2
3		Cash Dividends Payable	2140		2 2 0 5 0 00	3
4		Preferred: 4% × \$45,000 = \$1,800				4
5		Common: 20,250 shares × \$1 per				5
6		share = \$20,250				6
7		\$1,800 + \$20,250 = \$22,050				7
8						8
9	10	Sales Salaries Expense	6110	2 6 9 2 50		9
10		Office Salaries Expense	6215	4 3 8 75		10
11		Officers' Salaries Expense	6210	1 5 0 0 00		11
12		Employees' Fed. Income Tax Payable	2120		1 3 8 7 50	12
13		FICA Tax Payable	2125		3 4 7 34	13
14		Salaries Payable	2115		2 8 9 6 41	14
15						15
16	10	Payroll Taxes Expense	6220	4 8 8 08		16
17		FICA Tax Payable	2125		3 4 7 34	17
18		State Unemployment Tax Payable	2130		1 2 6 17	18
19		Federal Unemployment Tax Payable	2135		1 4 57	19
20						20
21	24	Sales Salaries Expense	6110	2 7 5 5 50		21
22		Office Salaries Expense	6215	4 3 8 75		22
23		Officers' Salaries Expense	6210	1 5 0 0 00		23
24		Employees' Fed. Income Tax Payable	2120		1 0 6 6 50	24
25		FICA Tax Payable	2125		3 5 2 07	25
26		Salaries Payable	2115		3 2 7 5 68	26
27						27
28	24	Payroll Taxes Expense	6220	4 3 1 70		28
29		FICA Tax Payable	2125		3 5 2 07	29
30		State Unemployment Tax Payable	2130		6 9 56	30
31		Federal Unemployment Tax Payable	2135		1 0 07	31
32						32
33						33

JOURNAL

PAGE 10

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20--	Adjusting Entries				1
2	Dec. 31	Uncollectible Accounts Expense	6255	9 9 5 25		2
3		Allowance for Doubtful Accounts	1125		9 9 5 25	3
4						4
5	31	Income Summary	3140	18 8 7 9 7 10		5
6		Merchandise Inventory—Computers	1130		11 3 0 4 9 00	6
7		Merchandise Inventory—Peripherals	1135		7 5 7 4 8 10	7
8						8
9	31	Merchandise Inventory—Computers	1130	9 2 9 0 9 56		9
10		Merchandise Inventory—Peripherals	1135	7 3 0 1 9 42		10
11		Income Summary	3140		16 5 9 2 8 98	11
12						12
13	31	Office Supplies Expense	6260	4 2 5 14		13
14		Office Supplies	1145		4 2 5 14	14
15						15
16	31	Store Supplies Expense	6125	3 7 9 20		16
17		Store Supplies	1140		3 7 9 20	17
18						18
19	31	Insurance Expense	6250	2 4 5 6 25		19
20		Prepaid Insurance	1150		2 4 5 6 25	20
21						21
22	31	Depreciation Expense—Building	6230	1 2 5 6 2 50		22
23		Depreciation Expense—Office Equipment	6235	2 3 3 3 25		23
24		Depreciation Expense—Store Equipment	6120	1 8 5 25		24
25		Accum. Depreciation—Building	1220		1 2 5 6 2 50	25
26		Accum. Depreciation—Office Equip.	1230		2 3 3 3 25	26
27		Accum. Depreciation—Store Equip.	1240		1 8 5 25	27
28						28
29	31	Sales Salaries Expense	6110	2 3 6 0 25		29
30		Officers' Salaries Expense	6210	1 1 2 5 00		30
31		Office Salaries Expense	6215	1 6 5 00		31
32		Salaries Payable	2115		3 6 5 0 25	32
33						33

	DATE		DESCRIPTION	POST. REF.	DEBIT						CREDIT							
1	20--		Adjusting Entries (Concluded)													1		
2		31	Sales—Computers	4110		3	1	5	6	00						2		
3			Sales—Peripherals	4115		3	2	7	7	00						3		
4			Customer Refunds Payable	2150								6	4	3	3	00	4	
5																5		
6			Closing Entries													6		
7	Dec.	31	Sales—Computers	4110	31	2	4	6	1	59						7		
8			Sales—Peripherals	4115	32	4	4	6	6	55						8		
9			Sales—Computer Servicing	4120	9	4	9	9	9	50						9		
10			Purchases Returns and Allowances	5120			2	0	4	75						10		
11			Purchases Discounts	5125			7	6	2	02						11		
12			Income Summary	3140								73	2	8	9	4	41	12
13																13		
14		31	Income Summary	3140	65	5	9	8	7	85						14		
15			Purchases—Computers	5110								31	6	3	3	1	22	15
16			Purchases—Peripherals	5115								16	3	1	9	5	34	16
17			Freight In	5130									7	2	0	52	17	
18			Sales Salaries Expense	6110								5	5	6	2	3	00	18
19			Advertising Expense	6115								2	0	3	5	8	75	19
20			Depreciation Expense—Store Equip.	6120									3	3	6	00	20	
21			Store Supplies Expense	6125									3	7	9	20	21	
22			Officers' Salaries Expense	6210								3	7	1	2	5	00	22
23			Office Salaries Expense	6215								1	0	6	9	5	00	23
24			Payroll Taxes Expense	6220								1	0	8	6	0	22	24
25			Utilities Expense	6225								5	6	2	7	16	25	
26			Depreciation Expense—Building	6230								1	2	5	6	2	50	26
27			Depreciation Expense—Office Equip.	6235								2	4	0	9	75	27	
28			Repairs & Maintenance Expense	6240								3	8	1	6	75	28	
29			Property Tax Expense	6245								7	2	5	4	30	29	
30			Insurance Expense	6250								2	4	5	6	25	30	
31			Uncollectible Accounts Expense	6255									9	9	5	25	31	
32			Office Supplies Expense	6260									4	2	5	14	32	
33			Professional Fees Expense	6265								1	0	6	6	50	33	
34			Interest Expense	7110								3	7	5	0	00	34	
35																35		
36																36		

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	DATE		DESCRIPTION	POST. REF.	DEBIT						CREDIT						
1	20--		Closing Entries (Concluded)														1
2	Dec.	31	Income Summary	3140	5	4	0	3	8	44							2
3			Retained Earnings	3130							5	4	0	3	8	44	3
4																	4
5		31	Retained Earnings	3130	3	3	0	7	5	00							5
6			Cash Dividends	3135							3	3	0	7	5	00	6
7																	7
8																	8
9																	9
10																	10
11																	11
12																	12
13																	13
14																	14
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30																	30
31																	31
32																	32
33																	33

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	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12
13						13
14						14
15						15
16						16
17						17
18						18
19						19
20						20
21						21
22						22
23						23
24						24
25						25
26						26
27						27
28						28
29						29
30						30
31						31
32						32
33						33

LEDGERS

GENERAL LEDGER

ACCOUNT *Cash*

ACCOUNT NO. *1110*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓									
	31		CR12	227 1 7 5 01								
	31		CP12		54 1 0 4 07							

ACCOUNT *Petty Cash*

ACCOUNT NO. *1115*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓									

ACCOUNT *Accounts Receivable*

ACCOUNT NO. *1120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓									
	31		R12	20 7 0 9 76								
	31		CR12		19 9 0 7 26							

ACCOUNT *Allowance for Doubtful Accounts*ACCOUNT NO. *1125*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓						9	2
	31	Adjusting	J10	9	9	5	25		1	9

ACCOUNT *Merchandise Inventory—Computers*ACCOUNT NO. *1130*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓		113	0	4	9	00	
	31	Adjusting	J10	113	0	4	9	00		
	31	Adjusting	J10	92	9	0	9	56		

ACCOUNT *Merchandise Inventory—Peripherals*ACCOUNT NO. *1135*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓		75	7	4	8	10	
	31	Adjusting	J10	75	7	4	8	10		
	31	Adjusting	J10	73	0	1	9	42		

ACCOUNT *Store Supplies*

ACCOUNT NO. 1140

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1 Balance	✓			1	1	2	6	50	
	31	P15	1	2	2	1	75	2	3	4
	31	CP12		1	0	7	24	2	4	5
	31 Adjusting	J10						2	0	7
								3	7	9
								20		

ACCOUNT *Office Supplies*

ACCOUNT NO. 1145

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1 Balance	✓						2	0	4
	9	CR12						9	7	50
	31	P15	6	4	8	75		7	5	6
	31	CP12	1	1	4	20		8	7	0
	31 Adjusting	J10						4	4	5
								14		

ACCOUNT *Prepaid Insurance*

ACCOUNT NO. 1150

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1 Balance	✓			7	7	7	9	75	
	2	CP12	2	2	7	0	00	10	0	4
	31 Adjusting	J10						7	5	9
								25		

ACCOUNT *Land*ACCOUNT NO. *1210*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓					30	0	0	0	00

ACCOUNT *Building*ACCOUNT NO. *1215*

DATE	ITEM	Post Ref.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓					112	5	0	0	00

ACCOUNT *Accumulated Depreciation—Building*ACCOUNT NO. *1220*

DATE	ITEM	Post Ref.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓						16	8	5	9 25
	31	Adjusting	J10					12	5	6	2 50	

ACCOUNT *Office Equipment*ACCOUNT NO. *1225*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓						8	2	2	3 17
	3		CP12	7 0 1 1 75					15	2	3	4 92

ACCOUNT *Accumulated Depreciation—Office Equipment*ACCOUNT NO. *1230*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓							3	5	9 4 00
	31	Adjusting	J10	2 3 3 3 25						5	9	2 7 25

ACCOUNT *Store Equipment*ACCOUNT NO. *1235*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓						1	1	7 1 52	

ACCOUNT *Accumulated Depreciation—Store Equipment*

ACCOUNT NO. 1240

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					7	1	0 25
	31	Adjusting	J10	1 8 5 25				8	9	5 50

ACCOUNT *Accounts Payable*

ACCOUNT NO. 2110

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					7	0	8 3 00
	31		P15	17 6 0 1 00				24	6	8 4 00
	31		CP12	1 5 2 2 50				23	1	6 1 50

ACCOUNT *Salaries Payable*

ACCOUNT NO. 2115

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	10		J9	2 8 9 6 41				2	8	9 6 41
	10		CP12	2 8 9 6 41						
	24		J9	3 2 7 5 68				3	2	7 5 68
	24		CP12	3 2 7 5 68						
	31	Adjusting	J10	3 6 5 0 25				3	6	5 0 25

ACCOUNT *Employees' Federal Income Tax Payable*ACCOUNT NO. *2120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec. 10		J9		1 3 8 7 50				1 3 8 7 50		
10		CP12	1 3 8 7 50							
24		J9		1 0 6 6 50				1 0 6 6 50		
24		CP12	1 0 6 6 50							

ACCOUNT *FICA Tax Payable*ACCOUNT NO. *2125*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec. 10		J9		3 4 7 34				3 4 7 34		
10		J9		3 4 7 34				6 9 4 68		
10		CP12	6 9 4 68							
24		J9		3 5 2 07				3 5 2 07		
24		J9		3 5 2 07				7 0 4 14		
24		CP12	7 0 4 14							

ACCOUNT *State Unemployment Tax Payable*ACCOUNT NO. *2130*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec. 10		J9		1 2 6 17				1 2 6 17		
24		J9		6 9 56				1 9 5 73		

ACCOUNT *Federal Unemployment Tax Payable*ACCOUNT NO. *2135*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE					
												DEBIT			CREDIT		
20--																	
Dec.	10		J9					1	4	57					1	4	57
	24		J9					1	0	07					2	4	64

ACCOUNT *Cash Dividends Payable*ACCOUNT NO. *2140*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE									
												DEBIT				CREDIT					
20--																					
Dec.	6		J9					22	0	5	0	00					22	0	5	0	00
	20		CP12	22	0	5	0	00													

ACCOUNT *Customer Refunds Payable*ACCOUNT NO. *2150*

DATE		ITEM	POST. REF.	DEBIT				CREDIT						BALANCE							
														DEBIT				CREDIT			
20--																					
Dec.	31	Adjusting	J11					6	4	3	3	00					6	4	3	3	00

ACCOUNT *Notes Payable*ACCOUNT NO. *2210*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	1	Balance	✓													37	5	0	0 00

ACCOUNT *Common Stock, \$10 Par*ACCOUNT NO. *3110*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					202	5	00
	14		CR12	100	0	0	00	302	5	00

ACCOUNT *Preferred 4% Stock, \$100 Par*ACCOUNT NO. *3115*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					45	0	00

ACCOUNT *Paid-In Capital in Excess of Par—Common Stock*ACCOUNT NO. *3120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					37	5	00
	14		CR12	72	5	0	00	110	0	00

ACCOUNT *Paid-In Capital in Excess of Par—Preferred Stock*ACCOUNT NO. *3125*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					15	0	00

ACCOUNT *Retained Earnings*ACCOUNT NO. *3130*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	1	Balance	✓									34	6	5
	31	Closing	J12						54	0	3	8	44	06
	31	Closing	J12		33	0	7	5	00			88	6	9
												55	6	1

ACCOUNT *Cash Dividends*ACCOUNT NO. *3135*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	1	Balance	✓							11	0	2	5	00
	6		J9		22	0	5	0	00			33	0	7
	31		J12						33	0	7	5	00	00

ACCOUNT *Income Summary*ACCOUNT NO. *3140*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	31	Adjusting	J10		188	7	9	7	10			188	7	9
	31	Adjusting	J10						165	9	2	8	98	12
	31	Closing	J11						732	8	9	4	41	29
	31	Closing	J11		655	9	8	7	85			710	0	2
	31	Closing	J12		54	0	3	8	44			54	0	3

ACCOUNT *Sales—Computers*ACCOUNT NO. *4110*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	1	Balance	✓									283	5	8
	31		R12						9	6	8	7	5	09
	31		CR12						22	3	4	2	50	
	31	Adjusting	J11		3	1	5	6	00			312	4	6
	31	Closing	J11		312	4	6	1	59					

ACCOUNT *Sales—Peripherals*ACCOUNT NO. *4115*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	1	Balance	✓									316	1	8
	31		R12						4	9	6	12	8	00
	31		CR12						11	0	6	4	3	55
	31	Adjusting	J11		3	2	7	7	00			324	4	6
	31	Closing	J11		324	4	6	6	55					

ACCOUNT *Sales—Computer Servicing*ACCOUNT NO. *4120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE									
					DEBIT					CREDIT				
20--														
Dec.	1	Balance	✓									83	2	1
	31		R12						10	5	2	6	0	25
	31		CR12						1	2	6	3	9	50
	31	Closing	J11		94	9	9	9	50					

ACCOUNT *Purchases—Computers*ACCOUNT NO. *5110*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					298	1	4
	31		P15		12	5	6	9	72	
	31		CP12		5	6	1	2	25	
	31	Closing	J11					316	3	3

ACCOUNT *Purchases—Peripherals*ACCOUNT NO. *5115*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					160	5	9
	31		P15		2	6	0	1	00	
	31	Closing	J11					163	1	9

ACCOUNT *Purchases Returns and Allowances*ACCOUNT NO. *5120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓						2	0
	31	Closing	J11		2	0	4	75		

ACCOUNT *Purchases Discounts*ACCOUNT NO. *5125*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	1	Balance	✓													7	3	1	57
	31		CP12							3	0	45				7	6	2	02
	31	Closing	J11		7	6	2	02											

ACCOUNT *Freight In*ACCOUNT NO. *5130*

DATE		ITEM	POST. REF.	DEBIT			CREDIT				BALANCE							
											DEBIT				CREDIT			
20--																		
Dec.	1	Balance	✓									7	0	7	60			
	31		CP12			1	2	92				7	2	0	52			
	31	Closing	J11						7	2	0	52						

ACCOUNT *Sales Salaries Expense*ACCOUNT NO. *6110*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	1	Balance	✓									47	8	1	4	75			
	10		J9	2	6	9	2	50				50	5	0	7	25			
	24		J9	2	7	5	5	50				53	2	6	2	75			
	31	Adjusting	J10	2	3	6	0	25				55	6	2	3	00			
	31	Closing	J11						55	6	2	3	00						

ACCOUNT *Advertising Expense*ACCOUNT NO. *6115*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					16	8	5
	2		CP12		1	0	4	7	50	
	2		CP12		2	4	5	6	25	
	31	Closing	J11					20	3	5

ACCOUNT *Depreciation Expense—Store Equipment*ACCOUNT NO. *6120*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					1	5	0
	31	Adjusting	J10		1	8	5	25		
	31	Closing	J11					3	3	6

ACCOUNT *Store Supplies Expense*ACCOUNT NO. *6125*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	31	Adjusting	J10		3	7	9	20		
	31	Closing	J11					3	7	9

ACCOUNT *Officers' Salaries Expense*ACCOUNT NO. **6210**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					33	0	0
	10		J9		1	5	0	0	0	00
	24		J9		1	5	0	0	0	00
	31	Adjusting	J10		1	1	2	5	00	
	31	Closing	J11							

ACCOUNT *Office Salaries Expense*ACCOUNT NO. **6215**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					9	6	5
	10		J9		4	3	8	75		
	24		J9		4	3	8	75		
	31	Adjusting	J10		1	6	5	00		
	31	Closing	J11							

ACCOUNT *Payroll Taxes Expense*ACCOUNT NO. **6220**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					9	9	4
	10		J9		4	8	8	08		
	24		J9		4	3	1	70		
	31	Closing	J11							

ACCOUNT *Utilities Expense*

ACCOUNT NO. 6225

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓						5	2	0	66
	13		CP12		2	7	9	91				
	14		CP12			9	9	17				
	15		CP12			4	7	42				
	31	Closing	J11						5	6	2	16

ACCOUNT *Depreciation Expense—Building*

ACCOUNT NO. 6230

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	31	Adjusting	J10		12	5	6	2	50			
	31	Closing	J11						12	5	6	2

ACCOUNT *Depreciation Expense—Office Equipment*

ACCOUNT NO. 6235

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE							
					DEBIT				CREDIT			
20--												
Dec.	1	Balance	✓							7	6	50
	31	Adjusting	J10		2	3	3	3	25			
	31	Closing	J11						2	4	0	9

ACCOUNT *Repairs & Maintenance Expense*ACCOUNT NO. **6240**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					2	8	4 4 75
	6		CP12		6	3	1 50			3 4 7 6 25
	8		CP12		2	0	9 25			3 6 8 5 50
	19		CP12		1	3	1 25			3 8 1 6 75
	31	Closing	J11					3	8	1 6 75

ACCOUNT *Property Tax Expense*ACCOUNT NO. **6245**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	1	Balance	✓					7	2	5 4 30
	31	Closing	J11					7	2	5 4 30

ACCOUNT *Insurance Expense*ACCOUNT NO. **6250**

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE					
					DEBIT			CREDIT		
20--										
Dec.	31	Adjusting	J10					2	4	5 6 25
	31	Closing	J11					2	4	5 6 25

ACCOUNT *Uncollectible Accounts Expense*ACCOUNT NO. **6255**

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	31	Adjusting	J10		9	9	5	25						9	9	5	25		
	31	Closing	J11						9	9	5	25							

ACCOUNT *Office Supplies Expense*ACCOUNT NO. **6260**

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	31	Adjusting	J10										4	2	5	14			
	31	Closing	J11						4	2	5	14							

ACCOUNT *Professional Fees Expense*ACCOUNT NO. **6265**

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE							
												DEBIT				CREDIT			
20--																			
Dec.	3		P15		5	6	0	25						5	6	0	25		
	9		CP12		5	0	6	25					1	0	6	6	50		
	31	Closing	J11						1	0	6	6	50		<u> </u>				

ACCOUNT *Interest Expense*ACCOUNT NO. *7110*

DATE		ITEM	POST. REF.	DEBIT				CREDIT				BALANCE					
												DEBIT			CREDIT		
<i>20--</i>																	
<i>Dec.</i>	<i>1</i>	<i>Balance</i>	<i>✓</i>									<i>3</i>	<i>7</i>	<i>5</i>	<i>0</i>	<i>00</i>	
	<i>31</i>	<i>Closing</i>	<i>J11</i>					<i>3</i>	<i>7</i>	<i>5</i>	<i>0</i>	<i>00</i>					

ACCOUNTS RECEIVABLE LEDGER

NAME *Advantage Learning Center, LLC*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec.	1 Balance	✓			3 9 5 25

NAME *Amy Dillo's Grill & Bar*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec.	1 Balance	✓			2 3 4 5 25
	7	R12	9 3 6 9 75		1 1 7 1 5 00

NAME *Gilley's Sports Bar*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec.	9	R12	1 1 5 6 50		1 1 5 6 50

NAME *Green Energy Enterprises*

DATE		ITEM	POST. REF.	DEBIT						CREDIT						BALANCE					
20--																					
Dec.	3		R12		4	0	2	4	12								4	0	2	4	12
	12		CR12								4	0	2	4	12						

NAME *Gulfview Realtors, Inc.*

DATE		ITEM	POST. REF.	DEBIT						CREDIT						BALANCE					
20--																					
Dec.	1	Balance	✓														2	3	5	2	00
	1		CR12								2	3	5	2	00						
	6		R12		7	3	4	25									7	3	4	25	
	16		CR12								7	3	4	25							

NAME *Land & Sea Builders*

DATE		ITEM	POST. REF.	DEBIT						CREDIT						BALANCE					
20--																					
Dec.	1	Balance	✓														1	5	4	3	50
	6		CR12								1	5	4	3	50						
	12		R12		3	2	3	9	25								3	2	3	9	25

NAME *Lucky Dog Trainers*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓												3	9	0	75

NAME *Nassau Bay Marina*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓												3	0	1	3 50
	6		CR12						3	0	1	3	50					

NAME *Preston Brown, JD*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓												1	3	0	2 75
	11		CR12						1	3	0	2	75					

NAME *South Texas Dental Group*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1		R12	1	0	4	6	64						1	0	4	6	64
	8		R12	1	1	3	9	25						2	1	8	5	89
	11		CR12						1	0	4	6	64	1	1	3	9	25
	18		CR12						1	1	3	9	25					

NAME *Wekiva Water Sports, Inc.*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓												5	6	1	75
	9		CR12						5	6	1	75						

NAME *Zack Construction Company*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓											4	1	8	9	50
	7		CR12						4	1	8	9	50					

ACCOUNTS PAYABLE LEDGER

NAME *D&R Computers*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			1 5 2 2 50
	1	CP12	1 5 2 2 50		
	3	P15		5 5 8 6 75	5 5 8 6 75
	14	P15		6 9 8 2 50	1 2 5 6 9 25

NAME *Kupta Store Supplies & Equipment Company*

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE
20--					
Dec. 2		P15		2 9 6 25	2 9 6 25

NAME *Mega Computer Supply, Inc.*

DATE	ITEM	Post Ref.	DEBIT	CREDIT	BALANCE
20--					
Dec. 1	Balance	✓			3 0 1 0 50
	3	P15		2 6 0 1 00	5 6 1 1 50

NAME *Ruiz & Yee, Attorneys*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	3		P15							5	6	0	25		5	6	0	25

NAME *Supplies R Us, Inc.*

DATE		ITEM	POST. REF.	DEBIT					CREDIT					BALANCE				
20--																		
Dec.	1	Balance	✓												2	5	5	00
	6		P15							1	5	7	4	25		4	1	24

END-OF-FISCAL- PERIOD WORK

JP's Tech Solutions Sales & Services, Inc.																									
Income Statement																									
For Year Ended December 31, 20--																									
Revenue from sales:																									
Sales—computers								31	2	4	6	1	59												
Sales—peripherals								32	4	4	6	6	55												
Sales—computer servicing								9	4	9	9	9	50												
Total sales															73	1	9	2	7	64					
Cost of merchandise sold:																									
Merch. inventory—computers, Jan. 1	11	3	0	4	9	00																			
Merch. inventory—peripherals, Jan. 1	7	5	7	4	8	10	18	8	7	9	7	10													
Purchases—computers	31	6	3	3	1	22																			
Purchases—peripherals	16	3	1	9	5	34	47	9	5	2	6	56													
Less: Purchases returns and allowances			2	0	4	75																			
Purchases discounts			7	6	2	02			9	6	6	77													
Net purchases							47	8	5	5	9	79													
Add freight in									7	2	0	52													
Cost of merchandise purchased							47	9	2	8	0	31													
Merchandise available for sale							66	8	0	7	7	41													
Less merch. invent.—computers, Dec. 31	9	2	9	0	9	56																			
Less merch. invent.—peripherals, Dec. 31	7	3	0	1	9	42	16	5	9	2	8	98													
Cost of merchandise sold															50	2	1	4	8	43					
Gross profit															22	9	7	7	9	21					
Operating expenses:																									
Selling expenses:																									
Sales salaries expense	5	5	6	2	3	00																			
Advertising expense	2	0	3	5	8	75																			
Depreciation expense—store equipment			3	3	6	00																			
Store supplies expense			3	7	9	20																			
Total selling expenses							7	6	6	9	6	95													
(continues)																									

JP's Tech Solutions Sales & Services, Inc.

Income Statement (Concluded)

For Year Ended December 31, 20--

[illegible]

<i>JP's Tech Solutions Sales & Services, Inc.</i>
<i>Balance Sheet</i>
<i>December 31, 20--</i>

Balance Sheet

December 31, 20--

[illegible]

December 31, 20--

Corporate Financial Accounting 15th edition Warren Solutions Manual

JP's Tech Solutions Sales & Services, Inc.															
Post-Closing Trial Balance															
For Year Ended December 31, 20--															
Cash	28	5	1	0	0	35									
Petty Cash			3	0	0	00									
Accounts Receivable	1	6	8	9	6	75									
Allowance for Doubtful Accounts								1	9	1	9	25			
Merchandise Inventory—Computers	9	2	9	0	9	56									
Merchandise Inventory—Peripherals	7	3	0	1	9	42									
Store Supplies		2	0	7	6	29									
Office Supplies			4	4	5	06									
Prepaid Insurance		7	5	9	3	50									
Land	3	0	0	0	0	00									
Building	11	2	5	0	0	00									
Accumulated Depreciation—Building								2	9	4	2	1	75		
Office Equipment	1	5	2	3	4	92									
Accumulated Depreciation—Office Equipment								5	9	2	7	25			
Store Equipment		1	1	7	1	52									
Accumulated Depreciation—Store Equipment									8	9	5	50			
Accounts Payable								2	3	1	6	1	50		
Salaries Payable								3	6	5	0	25			
State Unemployment Tax Payable									1	9	5	73			
Federal Unemployment Tax Payable										2	4	64			
Customer Refunds Payable									6	4	3	3	00		
Notes Payable								3	7	5	0	0	00		
Common Stock, \$10 Par								30	2	5	0	0	00		
Preferred 4% Stock, \$100 Par								4	5	0	0	0	00		
Paid-In Capital in Excess of Par—Common Stock								11	0	0	0	0	00		
Paid-In Capital in Excess of Par—Preferred Stock								1	5	0	0	0	00		
Retained Earnings								5	5	6	1	8	50		
Totals	63	7	2	4	7	37		63	7	2	4	7	37		

	ACCOUNT TITLE	TRIAL BALANCE										ADJUSTMENTS																
		DEBIT						CREDIT				DEBIT					CREDIT											
1	Cash	28	5	1	0	0	35														1							
2	Petty Cash			3	0	0	00														2							
3	Accounts Receivable	1	6	8	9	6	75														3							
4	Allow. for Doubtful Accounts								9	2	4	00					a)		9	9	5	25	4					
5	Merch. Inv.—Computers	11	3	0	4	9	00							b)	9	2	9	0	9	56	b)	11	3	0	4	9	00	5
6	Merch. Inv.—Peripherals	7	5	7	4	8	10							b)	7	3	0	1	9	42	b)	7	5	7	4	8	10	6
7	Store Supplies		2	4	5	5	49														b)		3	7	9	20	7	
8	Office Supplies			8	7	0	20														b)		4	2	5	14	8	
9	Prepaid Insurance	1	0	0	4	9	75														c)	2	4	5	6	25	9	
10	Land	3	0	0	0	0	00																				10	
11	Building	11	2	5	0	0	00																				11	
12	Accum. Depr.—Building							1	6	8	5	9	25								d)	1	2	5	6	2	50	12
13	Office Equipment	1	5	2	3	4	92																				13	
14	Accum. Depr.—Office Equip.							3	5	9	4	00									d)	2	3	3	3	25	14	
15	Store Equipment		1	1	7	1	52																				15	
16	Accum. Depr.—Store Equip.								7	1	0	25									d)		1	8	5	25	16	
17	Accounts Payable							2	3	1	6	1	50														17	
18	Salaries Payable																				e)	3	6	5	0	25	18	
19	Empl. Fed. Inc. Tax Pay.																										19	
20	FICA Tax Payable																										20	
21	SUTA Tax Payable								1	9	5	73															21	
22	FUTA Tax Payable									2	4	64															22	
23	Cash Dividends Payable																										23	
24	Customer Refunds Payable																				f)	6	4	3	3	00	24	
25	Notes Payable							3	7	5	0	0	00														25	
26	Common Stock, \$10 Par							30	2	5	0	0	00														26	
27	Pref. 4% Stock, \$100 Par							4	5	0	0	0	00														27	
28	PIC in Excess of Par—Com.							11	0	0	0	0	00														28	
29	PIC in Excess of Par—Pref.							1	5	0	0	0	00														29	
30	Retained Earnings							3	4	6	5	5	06														30	
31	Cash Dividends	3	3	0	7	5	00																				31	
32	Carried Forward	69	6	4	5	1	08	59	0	1	2	4	43	16	5	9	2	8	98	21	8	2	1	7	19		32	
33																											33	
34																											34	
35																											35	
36																											36	

Sales & Services, Inc.									
Sheet									
31, 20--									

	ADJUSTED TRIAL BALANCE						INCOME STATEMENT						BALANCE SHEET																		
	DEBIT						CREDIT						DEBIT							CREDIT											
1	28	5	1	0	0	35										28	5	1	0	0	35							1			
2			3	0	0	00												3	0	0	00							2			
3	1	6	8	9	6	75											1	6	8	9	6	75						3			
4																								1	9	1	9	25	4		
5	9	2	9	0	9	56											9	2	9	0	9	56						5			
6	7	3	0	1	9	42											7	3	0	1	9	42						6			
7		2	0	7	6	29												2	0	7	6	29						7			
8			4	4	5	06													4	4	5	06						8			
9		7	5	9	3	50												7	5	9	3	50						9			
10	3	0	0	0	0	00											3	0	0	0	0	00						10			
11	11	2	5	0	0	00											11	2	5	0	0	00						11			
12																								2	9	4	2	1	75	12	
13	1	5	2	3	4	92											1	5	2	3	4	92						13			
14																								5	9	2	7	25	14		
15		1	1	7	1	52												1	1	7	1	52						15			
16																									8	9	5	50	16		
17																								2	3	1	6	1	50	17	
18																									3	6	5	0	25	18	
19																													19		
20																													20		
21																									1	9	5	73	21		
22																										2	4	64	22		
23																													23		
24																									6	4	3	3	00	24	
25																									3	7	5	0	0	00	25
26																									30	2	5	0	0	00	26
27																									4	5	0	0	0	00	27
28																									11	0	0	0	0	00	28
29																									1	5	0	0	0	00	29
30																									3	4	6	3	5	06	30
31	3	3	0	7	5	00											3	3	0	7	5	00							31		
32	67	0	3	2	2	37	61	6	2	8	3	93					67	0	3	2	2	37	61	6	2	8	3	93	32		
33																														33	
34																														34	
35																														35	
36																														36	

	ACCOUNT TITLE	TRIAL BALANCE												ADJUSTMENTS												
		DEBIT						CREDIT						DEBIT						CREDIT						
1	Brought Forwarded	69	6	4	5	1	08	59	0	1	2	4	43	16	5	9	2	8	98	21	8	2	1	7	19	1
2	Income Summary													b) 18	8	7	9	7	10	b) 16	5	9	2	8	98	2
3	Sales—Computers							31	5	6	1	7	59	f)	3	1	5	6	00							3
4	Sales—Peripherals							32	7	7	4	3	55	f)	3	2	7	7	00							4
5	Sales—Comp. Servicing							9	4	9	9	9	50													5
6	Purchases—Computers	31	6	3	3	1	22																			6
7	Purchases—Peripherals	16	3	1	9	5	34																			7
8	Purch. Returns & Allow.									2	0	4	75													8
9	Purchases Discounts									7	6	2	02													9
10	Freight In			7	2	0	52																			10
11	Sales Salaries Expense	5	3	2	6	2	75							e)	2	3	6	0	25							11
12	Advertising Expense	2	0	3	5	8	75																			12
13	Depr. Exp.—Store Equip.			1	5	0	75							d)		1	8	5	25							13
14	Store Supplies Expense													b)		3	7	9	20							14
15	Officers' Salaries Expense	3	6	0	0	0	00							e)	1	1	2	5	00							15
16	Office Salaries Expense	1	0	5	3	0	00							e)		1	6	5	00							16
17	Payroll Taxes Expense	1	0	8	6	0	22																			17
18	Utilities Expense		5	6	2	7	16																			18
19	Depr. Exp.—Building													d) 1	2	5	6	2	50							19
20	Depr. Exp.—Office Equip.				7	6	50							d)	2	3	3	3	25							20
21	Repairs & Maint. Expense		3	8	1	6	75																			21
22	Property Tax Expense		7	2	5	4	30																			22
23	Insurance Expense													c)	2	4	5	6	25							23
24	Uncoll. Accounts Expense													a)		9	9	5	25							24
25	Office Supplies Expense													b)		4	2	5	14							25
26	Professional Fees Expense		1	0	6	6	50																			26
27	Interest Expense		3	7	5	0	00																			27
28																										28
29		132	9	4	5	1	84	132	9	4	5	1	84	38	4	1	4	6	17	38	4	1	4	6	17	29
30	Net Income																									30
31																										31
32																										32
33																										33

Corporate Financial Accounting

Fifteenth Edition



Chapter 2 Analyzing Transactions

Learning Objectives

- **Obj. 1:** Describe the characteristics of an account and a chart of accounts.
- **Obj. 2:** Describe and illustrate journalizing transactions using the double-entry accounting system.
- **Obj. 3:** Describe and illustrate the journalizing and posting of transactions to accounts.
- **Obj. 4:** Prepare an unadjusted trial balance and explain how it can be used to discover errors.
- **Obj. 5:** Describe and illustrate the use of horizontal analysis in evaluating a company's performance and financial condition.

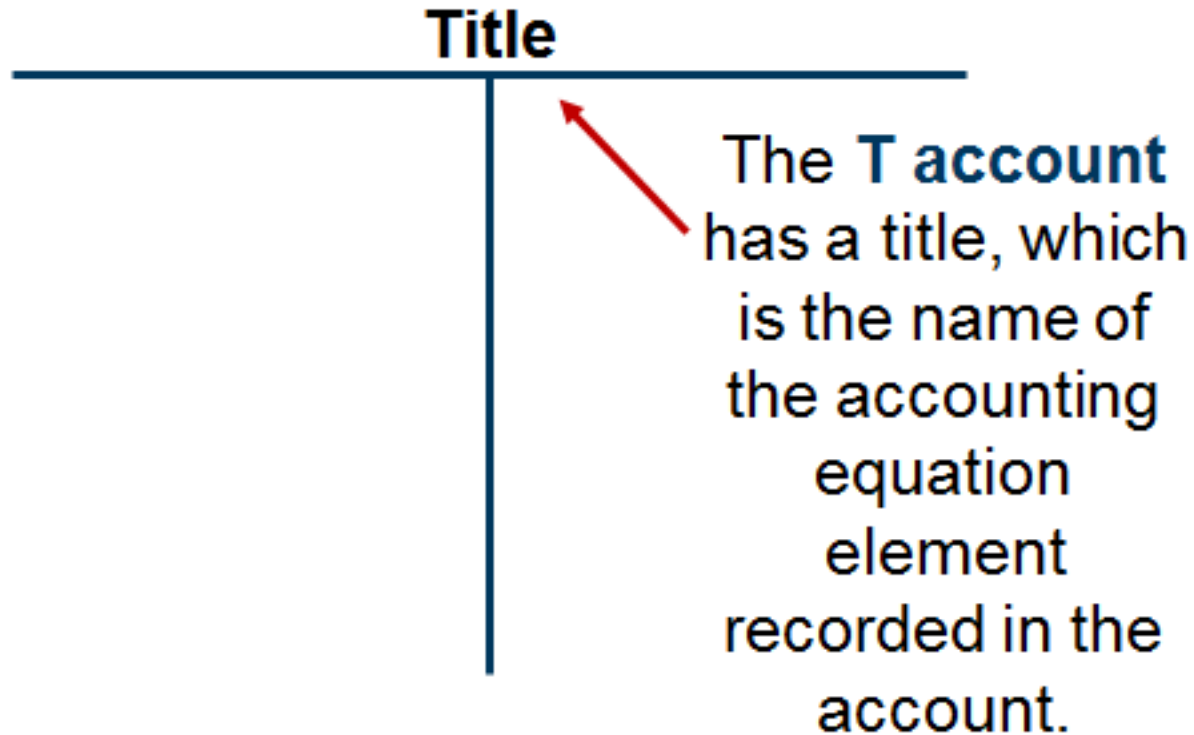
Using Accounts to Record Transactions

- Accounting systems are designed to show the increases and decreases in each accounting equation element as a separate record.
 - This record is called an **account**.

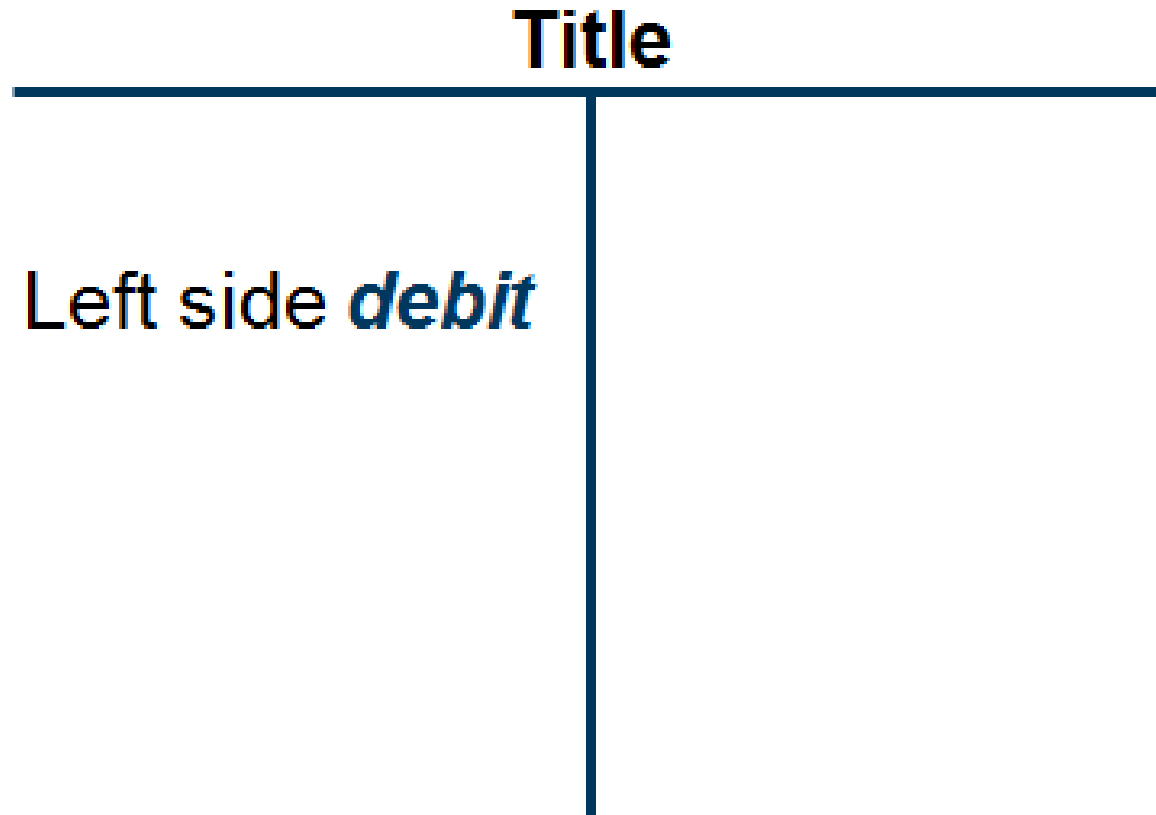
NetSolutions' November Transactions

	Assets			=	Liabilities +		Stockholders' Equity						
	Cash	+ Supp.	+ Land	=	Accounts Payable	+ Common Stock	- Dividends	+ Fees Earned	- Wages Exp.	- Rent Exp.	- Supplies Exp.	- Utilities Exp.	- Misc. Exp.
a.	+25,000					+25,000							
b.	-20,000		+20,000										
Bal.	5,000		20,000			25,000							
c.		+1,350			+1,350								
Bal.	5,000	1,350	20,000		1,350	25,000							
d.	+7,500							+7,500					
Bal.	12,500	1,350	20,000		1,350	25,000		7,500					
e.	-3,650								-2,125	-800		-450	-275
Bal.	8,850	1,350	20,000		1,350	25,000		7,500	-2,125	-800		-450	-275
f.	-950				-950								
Bal.	7,900	1,350	20,000		400	25,000		7,500	-2,125	-800		-450	-275
g.		-800									-800		
Bal.	7,900	550	20,000		400	25,000		7,500	-2,125	-800	-800	-450	-275
h.	-2,000						-2,000						
Bal.	5,900	550	20,000		400	25,000	-2,000	7,500	-2,125	-800	-800	-450	-275

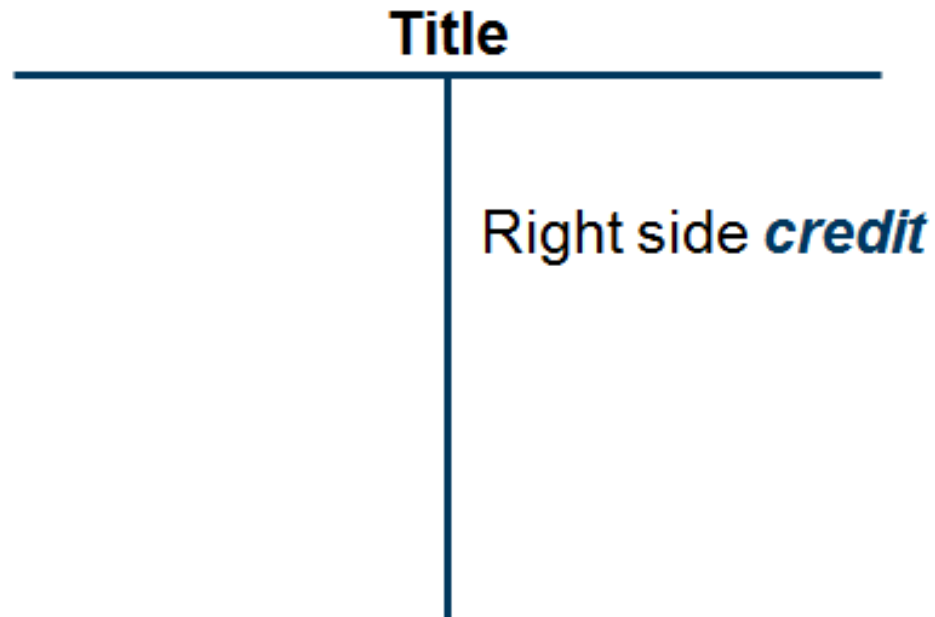
The T Account (1 of 4)



The T Account (2 of 4)



The T Account (3 of 4)



The T Account (4 of 4)

Cash					
Debit Side of Account	(a)	25,000	(b)	20,000	Credit Side of Account
	(d)	7,500	(e)	3,650	
			(f)	950	
			(h)	<u>2,000</u>	
	Balance	<u>5,900</u>			

 **Balance of the Account**
(the excess of the debits
of an asset account over
its credits)

Chart of Accounts

- A group of accounts for a business entity is called a **ledger**.
- A list of the accounts in the ledger is called a **chart of accounts**.
- The accounts are normally listed in the order in which they appear in the financial statements.
 - The balance sheet accounts are listed first, in the order of assets, liabilities, and stockholders' equity.
 - The income statement accounts are then listed in the order of revenues and expenses.

Assets

- **Assets** are resources owned by the business entity.
 - Examples of assets include:
 - Cash
 - Supplies
 - Intangible assets (patent rights, copyrights, trademarks)
 - Accounts receivable
 - Prepaid expenses
 - Buildings
 - Equipment

Liabilities

- **Liabilities** are debts owed to outsiders (creditors).
 - Examples of liabilities include:
 - Accounts payable
 - Notes payable
 - Wages payable
 - Unearned revenues (cash received from customers before services are delivered)

Stockholders' Equity

- **Stockholders' equity** is the stockholders' right to the assets of the business.
- Stockholders' equity is represented by the balance of the **common stock** and **retained earnings** accounts.
- A **dividends** account represents distributions of earnings to stockholders.

Revenues

- **Revenues** are increases in assets and stockholders' equity as a result of selling services or products to customers.
 - Examples of revenues include:
 - Fees earned
 - Fares earned
 - Commissions revenue
 - Rent revenue

Expenses

- **Expenses** result from using up assets or consuming services in the process of generating revenues.
 - Examples of expenses include:
 - Wages expense
 - Rent expense
 - Utilities expense
 - Supplies expense
 - Miscellaneous expense

Account Numbering System

- Accounts are grouped by account type (assets, liabilities, stockholders' equity, revenue, and expenses).
- Each type of account is numbered using the same first digit, for example:
 - Assets begins with 1
 - Liabilities begins with 2
 - Stockholders' equity begins with 3
 - Revenue begins with 4
 - Expenses begins with 5

Chart of Accounts for NetSolutions (1 of 3)

Balance Sheet Accounts

1. Assets

11 Cash

12 Accounts Receivable

14 Supplies

15 Prepaid Insurance

17 Land

18 Office Equipment

Chart of Accounts for NetSolutions (2 of 3)

2. Liabilities

21 Accounts Payable

23 Unearned Rent

3. Stockholders' Equity

31 Common Stock

32 Retained Earnings

33 Dividends

Chart of Accounts for NetSolutions (3 of 3)

Income Statement Accounts

4. Revenue

- 41 Fees Earned

5. Expenses

- 51 Wages Expense

- 52 Supplies Expense

- 53 Rent Expense

- 54 Utilities Expense

- 59 Miscellaneous Expense

Double-Entry Accounting System

- All businesses use what is called the **double-entry accounting system**.
- This system is based on the accounting equation and requires:
 - Every business transaction to be recorded in at least two accounts.
 - The total debits recorded for each transaction to be equal to the total credits recorded.
- This system has specific rules of debit and credit for recording transactions.

Balance Sheet Accounts

- The debit and credit rules for balance sheet accounts are as follows:

Balance Sheet Accounts							
ASSETS Asset Accounts		=	LIABILITIES Liability Accounts		+	STOCKHOLDERS' EQUITY Stockholders' Equity Accounts	
Debit for increases (+)	Credit for decreases (–)		Debit for decreases (–)	Credit for increases (+)		Debit for decreases (–)	Credit for increases (+)

Income Statement Accounts

- The debit and credit rules for income statement accounts are based on their relationship with stockholders' equity.
- The rules of debit and credit for revenue and expense accounts are as follows:

Income Statement Accounts			
Revenue Accounts		Expense Accounts	
Debit for decreases (–)	Credit for increases (+)	Debit for increases (+)	Credit for decreases (–)

Dividends

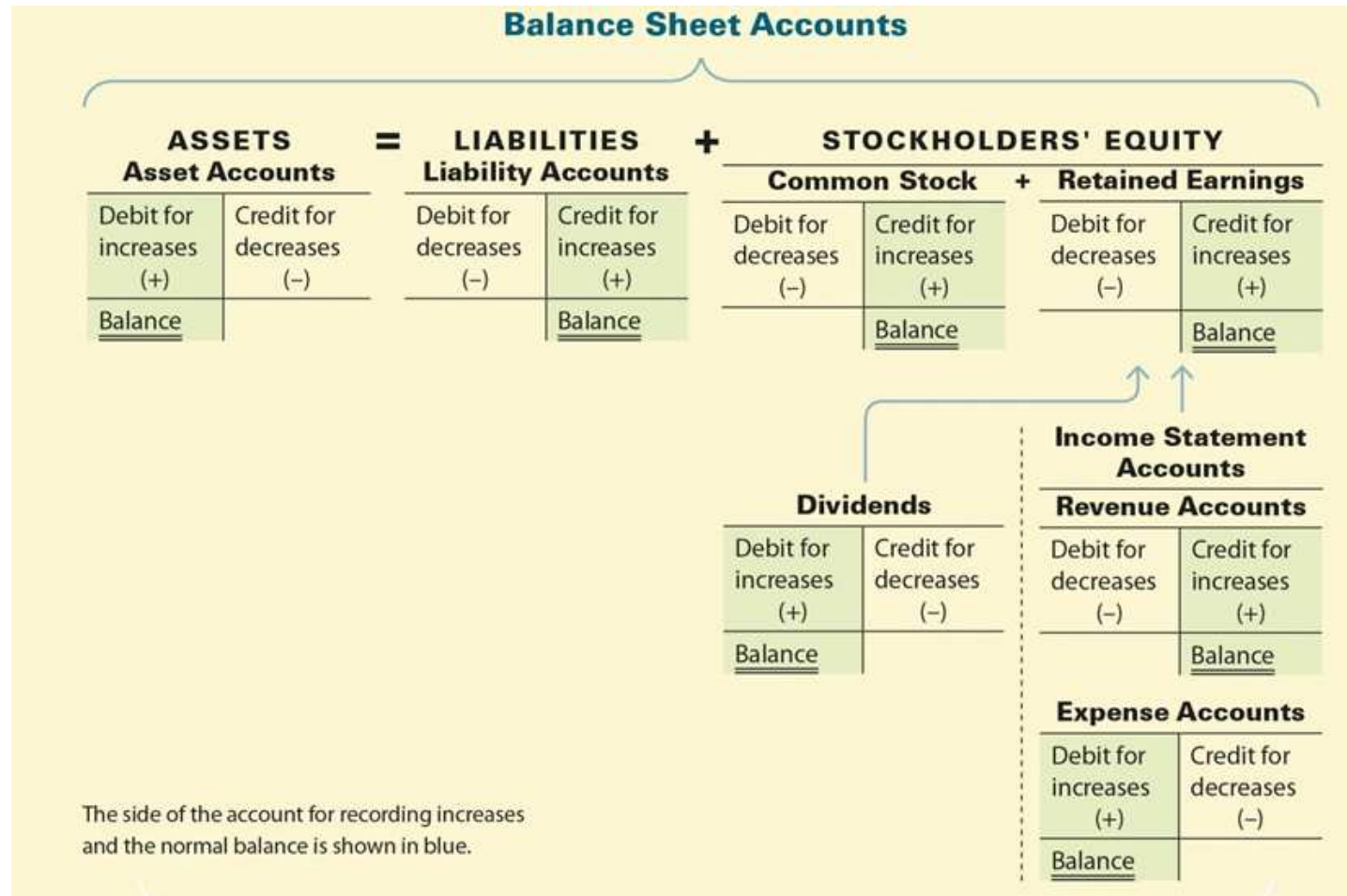
- The debit and credit rules for recording dividends are based on the effect of dividends on stockholders' equity (retained earnings).
- The rules of debit and credit for the dividends account are as follows:

Dividends Account	
Debit for increases (+)	Credit for decreases (–)

Normal Balances

- The sum of the increases in an account is usually equal to or greater than the sum of the decreases in the account. Thus, the **normal balance of an account** is either a debit or a credit, depending on whether increases in the account are recorded as debits or credits.

Rules of Debit and Credit, Normal Balances of Accounts



Check Up Corner Balance Sheet Accounts (1 of 2)

David Simmons, M.D., recently organized Simmons Urgent Care Inc. as a walk-in clinic. The clinic has purchased medical supplies and office equipment on account. In addition, David has invested cash in the business in exchange for common stock.

Identify the balance sheet accounts that Simmons Urgent Care will use to record these transactions, indicating whether each is an asset, a liability, or a stockholders' equity account and whether the normal balance is a debit or a credit.

Check Up Corner Balance Sheet Accounts (2 of 2)

Solution:

Assets are the resources owned by a business.



Assets

Cash	debit
Supplies	debit
Equipment	debit

↑
Asset accounts have normal debit balances.

Liabilities

Accounts Payable	credit
------------------	--------

Stockholders' Equity

Common Stock	credit
--------------	--------

↑
Liability and stockholders' equity accounts have normal credit balances.



← Liabilities are debts owed to outsiders (creditors).

← Stockholders' equity is the stockholders' rights to the assets of the business.

Journalizing (1 of 4)

- Using the rules of debit and credit, transactions are initially entered in a record called a **journal**.

Journalizing (2 of 4)

- Transactions are recorded in the journal using the following steps:
 - Step 1. The date of the transaction is entered in the Date column.
 - Step 2. The title of the account to be debited is recorded to the left in the Description column, and the amount to be debited is entered in the Debit column.
 - Step 3. The title of the account to be credited is listed below and indented to the debited account title, and the amount to be credited is entered in the Credit column.

Journalizing (3 of 4)

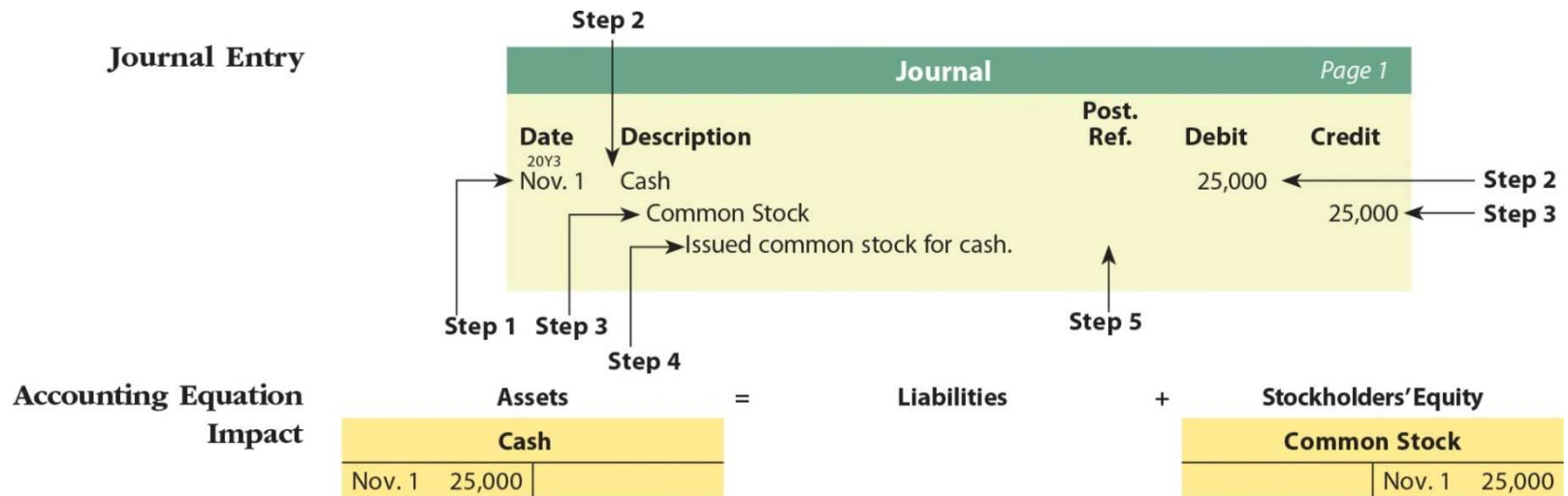
- Step 4. A brief description may be entered below the credited account.
- Step 5. The Post. Ref. (Posting Reference) column is left blank when the journal entry is initially recorded. This column is used later when the journal entry amounts are transferred to the accounts in the ledger.

Journalizing (4 of 4)

- The process of recording a transaction in the journal is called **journalizing**.
- The entry in the journal is called a **journal entry**.
- The form of the journal illustrated in Transaction A is called the **two-column journal**.

Transaction A

- On November 1, Chris Clark deposited \$25,000 in a bank account in the name of NetSolutions in exchange for common stock.



Transaction Terminology and Related Journal Entry Accounts

Common Transaction Terminology	Journal Entry Account: Debit	Journal Entry Account: Credit
Received cash for services provided	Cash	Fees Earned
Services provided on account	Accounts Receivable	Fees Earned
Received cash on account	Cash	Accounts Receivable
Purchased on account	Asset Account	Accounts Payable
Paid on account	Accounts Payable	Cash
Paid cash	Asset or expense account	Cash
Issued common stock	Cash and/or other assets	Common Stock
Paid dividends	Dividends	Cash

Transaction B

- On November 5, NetSolutions paid \$20,000 for the purchase of land as a future building site.

Nov. 5	Land	20,000	
	Cash		20,000
	Purchased land for building site.		

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity
Land			increase		
Nov. 5	20,000				
Cash			decrease		
	Nov. 5 20,000				

Transaction C

- On November 10, NetSolutions purchased supplies on account for \$1,350.

Nov. 10	Supplies	1,350	
	Accounts Payable		1,350
	Purchased supplies on account.		

Accounting Equation Impact

Assets		=	Liabilities		+	Stockholders' Equity
Supplies			Accounts Payable			
Nov. 10	1,350			Nov. 10	1,350	
						
increase			increase			

Transaction D

- On November 18, NetSolutions received cash of \$7,500 from customers for services provided.

Nov. 18	Cash	7,500	
	Fees Earned		7,500
	Received fees from customers.		

Accounting Equation Impact



Transaction E

- On November 30, NetSolutions incurred the following expenses: wages, \$2,125; rent, \$800; utilities, \$450; and miscellaneous, \$275.

Nov. 30	Wages Expense	2,125	
	Rent Expense	800	
	Utilities Expense	450	
	Miscellaneous Expense	275	
	Cash		3,650
	Paid expenses.		

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity (Expense)
Cash				Wages Expense
Nov. 30 3,650				Nov. 30 2,125
				Rent Expense
				Nov. 30 800
				Utilities Expense
				Nov. 30 450
				Miscellaneous Expense
				Nov. 30 275

decrease

All four
expense
accounts
increase.

Transaction F

- On November 30, NetSolutions paid creditors on account, \$950.

Nov. 30	Accounts Payable	950	
	Cash		950
	Paid creditors on account.		

Accounting Equation Impact

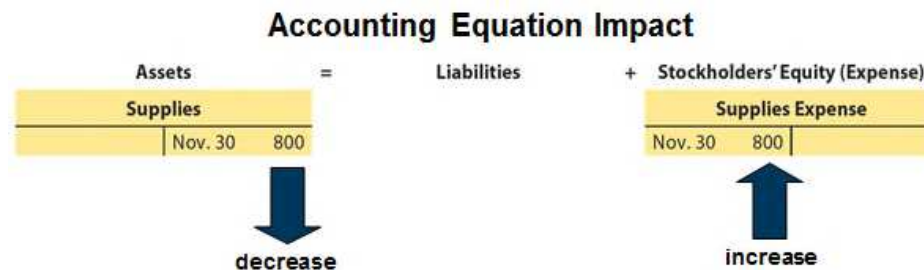
Assets			=	Liabilities			+	Stockholders' Equity
Cash				Accounts Payable				
	Nov. 30	950		Nov. 30	950			

Transaction G

- NetSolutions purchased \$1,350 of supplies on November 10. Chris Clark determined that the cost of supplies on hand at November 30 was \$550. Thus, \$800 (\$1,350 – \$550) of supplies must have been used during November.

Nov. 30	Supplies Expense	800	
	Supplies		800
	Supplies used during November.		

Accounting Equation Impact



Transaction H

- On November 30, NetSolutions paid dividends of \$2,000.

Journal					Page 2
Date	Description	Post. Ref.	Debit	Credit	
2017 Nov. 30	Dividends		2,000		
	Cash			2,000	
	Paid dividends.				

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity (Dividends)							
<table><tr><td colspan="2">Cash</td></tr><tr><td>Nov. 30</td><td>2,000</td></tr></table>	Cash		Nov. 30	2,000			<table><tr><td colspan="2">Dividends</td></tr><tr><td>Nov. 30</td><td>2,000</td></tr></table>	Dividends		Nov. 30	2,000
Cash											
Nov. 30	2,000										
Dividends											
Nov. 30	2,000										
 decrease				 increase							

Check Up Corner: Journal Entries (1 of 2)

Selected transactions from Simmons Urgent Care Inc.'s first month of operations are as follows:

- Jan. 1 David Simmons deposited \$30,000 in a bank account in the name of Simmons Urgent Care Inc. in exchange for common stock.
- 2 Purchased medical supplies on account, \$6,000.
- 6 Paid cash to creditors on account, \$3,200.
- 7 Purchased office equipment on account, \$62,500.

Prepare the journal entries to record these transactions, and illustrate their impact on the accounting equation using T accounts.

Check Up Corner: Journal Entries (2 of 2)

Solution:

The title of the account to be debited is recorded flush left in the Description column.

The amount to be debited is recorded in the Debit column.

The amount to be credited is recorded in the Credit column.

Date	Description	Debit	Credit
2017 Jan. 1	Cash	30,000	
	Common Stock		30,000
2	Supplies	6,000	
	Accounts Payable		6,000
6	Accounts Payable	3,200	
	Cash		3,200
7	Office Equipment	62,500	
	Accounts Payable		62,500

The title of the account to be credited is recorded below the debit in the Description column and indented slightly.

Increases in asset accounts are recorded on the debit (left) side of the account.

Assets

Cash			
Jan. 1	30,000	Jan. 6	3,200

Supplies			
Jan. 2	6,000		

Office Equipment			
Jan. 7	62,500		

Decreases in asset accounts are recorded on the credit (right) side of the account.

Increases in liability and stockholders' equity accounts are recorded on the credit (right) side of the account.

Liabilities

Accounts Payable			
Jan. 6	3,200	Jan. 2	6,000
		7	62,500

Stockholders' Equity

Common Stock			
		Jan. 1	30,000

Decreases in liability accounts are recorded on the debit (left) side of the account.

Posting Journal Entries to Accounts (1 of 6)

- The process of transferring the debits and credits from the journal entries to the accounts is called **posting**.

Posting Journal Entries to Accounts (2 of 6)

- On December 1, NetSolutions paid a premium of \$2,400 for an insurance policy for liability, theft, and fire. The policy covers a one-year period.

Dec.	1	Prepaid Insurance	15	2,400	
		Cash	11		2,400
		Paid premium on one-year policy.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity
Cash	11	↓ decrease			
Dec. 1	2,400				
Prepaid Insurance	15	↑ increase			
Dec. 1	2,400				

Posting Journal Entries to Accounts (3 of 6)

- The T account has been replaced by a **standard four-column account** in the next slide.
- In addition to Debit and Credit columns for recording transactions, the standard account form also has Balance (Debit and Credit) columns.
- These Balance columns are used to indicate the account balance after each transaction, sometimes called a *running balance*.

Posting Journal Entries to Accounts (4 of 6)

Journal						Page 2	
Date	Description	Post. Ref.	Debit	Credit			
Dec. 1	Prepaid Insurance	Step 4 → 15	2,400				
	Cash	Step 4 → 11		2,400			
	Paid premium on one-year policy.						
		Step 2			Step 2		
Account <i>Prepaid Insurance</i>			Account No. 15				
					Balance		
Date	Item	Post. Ref.	Debit	Credit	Debit	Credit	
20Y3 Dec. 1		2	2,400		2,400		
Step 1 →		Step 3					
Account <i>Cash</i>			Account No. 11				
					Balance		
Date	Item	Post. Ref.	Debit	Credit	Debit	Credit	
20Y3 Nov. 1		1	25,000		25,000		
30		2		2,000	5,900		
Step 1 → Dec. 1		2		2,400	3,500		
		Step 3					

Posting Journal Entries to Accounts (5 of 6)

- The debits and credits for each journal entry are posted to the accounts in the order in which they occur in the journal.
- The debit portion of the December 1 journal entry on the previous slide is posted to the prepaid account using the following four steps:
 - Step 1. The date (Dec. 1) of the journal entry is entered in the Date column of Prepaid Insurance and Cash.
 - Step 2. The amount (\$2,400) is entered into the Debit column of Prepaid Insurance and the amount (\$2,400) is entered into the Credit column of Cash.

Posting Journal Entries to Accounts (6 of 6)

- Step 3. The journal page number (2) is entered in the Posting Reference (Post. Ref.) column of Prepaid Insurance and Cash.
- Step 4. The account numbers (15) and (11) are entered in the Posting Reference (Post. Ref.) column in the journal.

Transaction—Paid Rent

On December 1, NetSolutions paid rent for December, \$800. The company from which NetSolutions is renting its office space now requires the payment of rent on the first of each month, rather than at the end of the month.

Dec. 1	Rent Expense	53	800	
	Cash	11		800
	Paid rent for December.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity (Expense)
Cash	11				Rent Expense
Dec. 1	800				Dec. 1

↓
decrease

↑
increase

Transaction—Unearned Revenue

- On December 1, NetSolutions received an offer from a local retailer to rent the land purchased on November 5. The retailer plans to use the land as a parking lot for its employees and customers. NetSolutions agreed to rent the land to the retailer for three months, with the rent payable in advance. NetSolutions received \$360 for three months' rent beginning December 1.
- The liability created by receiving the cash in advance of providing the service is called **unearned revenue**.

Dec. 1	Cash	11	360	
	Unearned Rent	23		360
	Received advance payment for three months' rent on land.			

Transaction—Purchased Office Equipment (1 of 2)

Accounting Equation Impact

Assets		=	Liabilities		+	Stockholders' Equity
Cash 11			Unearned Rent 23			
Dec. 1	360			Dec. 1	360	
						
increase			increase			

Transaction—Purchased Office Equipment (2 of 2)

- On December 4, NetSolutions purchased office equipment on account from Executive Supply Co. for \$1,800.

Dec. 4	Office Equipment	18	1,800	
	Accounts Payable	21		1,800
	Purchased office equipment on account.			

Accounting Equation Impact

Assets			=	Liabilities			+	Stockholders' Equity
Office Equipment 18				Accounts Payable 21				
Dec. 4	1,800				Dec. 4	1,800		
 increase				 increase				

Transaction—Paid for Advertisement

- On December 6, NetSolutions paid \$180 for a newspaper advertisement.

Dec. 6	Miscellaneous Expense	59	180	
	Cash	11		180
	Paid for newspaper advertisement.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity (Expense)
Cash	11				Miscellaneous Exp. 59
Dec. 6	180				Dec. 6 180

↓
decrease

↑
increase

Transaction—Paid Creditors (1 of 2)

- On December 11, NetSolutions paid creditors \$400.

Dec. 11	Accounts Payable	21	400	
	Cash	11		400
	Paid creditors on account.			

Accounting Equation Impact

Assets		=	Liabilities		+	Stockholders' Equity
Cash	11		Accounts Payable	21		
Dec. 11	400		Dec. 11	400		
						
		decrease			decrease	

Transaction—Paid Wages (1 of 2)

- On December 13, NetSolutions paid a receptionist and a part-time assistant \$950 for two weeks' wages.

Journal				Page 3	
Date	Description	Post. Ref.	Debit	Credit	
20Y3 Dec. 13	Wages Expense	51	950		
	Cash	11		950	
	Paid two weeks' wages.				

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity (Expense)																
<table style="width: 100%;"> <tr> <td style="text-align: right; width: 10%;">Cash</td> <td style="width: 10%;"></td> <td style="text-align: right; width: 10%;">11</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">Dec. 13</td> <td style="padding: 0 5px;"></td> <td style="text-align: right;">950</td> </tr> </table>	Cash		11	Dec. 13		950				<table style="width: 100%;"> <tr> <td style="text-align: right; width: 10%;"></td> <td style="width: 10%;"></td> <td style="text-align: right; width: 10%;">Wages Expense</td> <td style="width: 10%;"></td> <td style="text-align: right; width: 10%;">51</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">Dec. 13</td> <td style="padding: 0 5px;"></td> <td style="padding: 0 5px;"></td> <td style="padding: 0 5px;"></td> <td style="text-align: right;">950</td> </tr> </table>			Wages Expense		51	Dec. 13				950
Cash		11																		
Dec. 13		950																		
		Wages Expense		51																
Dec. 13				950																
 decrease				 increase																

Transaction—Received Fees (1 of 2)

- On December 16, NetSolutions received \$3,100 from fees earned for the first half of December.

Dec. 16	Cash	11	3,100	
	Fees Earned	41		3,100
	Received fees from customers.			

Accounting Equation Impact



Transaction—Fees Earned on Account (1 of 2)

- When a business agrees that a customer may pay for services provided at a later date, an **account receivable** is created.
 - An account receivable is a claim against the customer.
 - An account receivable is an asset, and the revenue is earned even though no cash has been received.

Transaction—Fees Earned on Account (2 of 2)

- Fees earned on account totaled \$1,750 for the first half of December.

Dec. 16	Accounts Receivable	12	1,750	
	Fees Earned	41		1,750
	Fees earned on account.			

Accounting Equation Impact

Assets			=	Liabilities	+	Stockholders' Equity (Revenue)		
Accounts Receivable 12						Fees Earned 41		
Dec. 16	1,750						Dec. 16	1,750
								
increase						increase		

Transaction—Paid Creditors (2 of 2)

- On December 20, NetSolutions paid \$900 to Executive Supply Co. on the \$1,800 debt owed from the December 4 transaction.

Dec. 20	Accounts Payable	21	900	
	Cash	11		900
	Paid creditors on account.			

Accounting Equation Impact

Assets			=	Liabilities			+	Stockholders' Equity
Cash				Accounts Payable				
	11				21			
Dec. 20	900			Dec. 20	900			
								
decrease				decrease				

Transaction—Received Payment on Account

- On December 21, NetSolutions received \$650 from customers in payment of their accounts.

Dec. 21	Cash	11	650	
	Accounts Receivable	12		650
	Received cash from customers on account.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity
Cash 11		↑ increase			
Dec. 21	650				
Accounts Receivable 12		↓ decrease			
	Dec. 21 650				

Transaction—Paid for Supplies

- On December 23, NetSolutions paid \$1,450 for supplies.

Dec. 23	Supplies	14	1,450	
	Cash	11		1,450
	Purchased supplies.			

Accounting Equation Impact

Assets			=	Liabilities	+	Stockholders' Equity
Cash			↓ decrease			
	Dec. 23	1,450				
Supplies			↑ increase			
Dec. 23	1,450					

Transaction—Paid Wages (2 of 2)

- On December 27, NetSolutions paid the receptionist and the part-time assistant \$1,200 for two weeks' wages.

Dec.	27	Wages Expense	51	1,200	
		Cash	11		1,200
		Paid two weeks' wages.			

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity (Expense)												
<table style="width: 100%;"> <tr> <td style="text-align: right; width: 15%;">Cash</td> <td style="width: 10%;"></td> <td style="text-align: right; width: 15%;">11</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">Dec. 27</td> <td style="padding: 0 5px;"></td> <td style="text-align: right;">1,200</td> </tr> </table>	Cash		11	Dec. 27		1,200				<table style="width: 100%;"> <tr> <td style="text-align: right; width: 15%;">Wages Expense</td> <td style="width: 10%;"></td> <td style="text-align: right; width: 15%;">51</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">Dec. 27</td> <td style="padding: 0 5px;"></td> <td style="text-align: right;">1,200</td> </tr> </table>	Wages Expense		51	Dec. 27		1,200
Cash		11														
Dec. 27		1,200														
Wages Expense		51														
Dec. 27		1,200														
 decrease				 increase												

Transaction—Paid Telephone Bill

- On December 31, NetSolutions paid its \$310 telephone bill for the month.

Dec.	31	Utilities Expense	54	310	
		Cash	11		310
		Paid telephone bill.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity (Expense)	
Cash	11				Utilities Expense	54
Dec. 31	310				Dec. 31	310

↓
decrease

↑
increase

Transaction—Paid Electric Bill

- On December 31, NetSolutions paid its \$225 electric bill for the month.

Journal					Page 4
Date	Description	Post. Ref.	Debit	Credit	
2017					
Dec. 31	Utilities Expense	54	225		
	Cash	11		225	
	Paid electric bill.				

Accounting Equation Impact

Assets	=	Liabilities	+	Stockholders' Equity (Expense)								
<table style="width: 100%;"> <tr> <td style="width: 80%; text-align: right;">Cash</td> <td style="width: 20%; text-align: right;">11</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: right;">Dec. 31</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: right;">225</td> </tr> </table>	Cash	11	Dec. 31	225				<table style="width: 100%;"> <tr> <td style="width: 80%; text-align: right;">Utilities Expense</td> <td style="width: 20%; text-align: right;">54</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: right;">Dec. 31</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: right;">225</td> </tr> </table>	Utilities Expense	54	Dec. 31	225
Cash	11											
Dec. 31	225											
Utilities Expense	54											
Dec. 31	225											
 decrease				 increase								

Transaction—Received Fees (2 of 2)

- On December 31, NetSolutions received \$2,870 from fees earned for the second half of December.

Dec. 31	Cash	11	2,870	
	Fees Earned	41		2,870
	Received fees from customers.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity (Revenue)	
Cash 11					Fees Earned 41	
Dec. 31	2,870				Dec. 31	2,870
↑					↑	
increase					increase	

Transaction—Fees Earned on Account

- On December 31, fees earned on account totaled \$1,120 for the second half of December.

Dec. 31	Accounts Receivable	12	1,120	
	Fees Earned	41		1,120
	Fees earned on account.			

Accounting Equation Impact



Transaction—Paid Dividends

- On December 31, NetSolutions paid dividends of \$2,000.

Dec. 31	Dividends	33	2,000	
	Cash	11		2,000
	Paid dividends.			

Accounting Equation Impact

Assets		=	Liabilities	+	Stockholders' Equity (Dividends)	
Cash	11				Dividends	33
Dec. 31	2,000				Dec. 31	2,000
						
decrease					increase	

General Ledger for NetSolutions (1 of 3)

Ledger						
Account <i>Cash</i>			Account No. 11			
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 1		1	25,000		25,000	
5		1		20,000	5,000	
18		1	7,500		12,500	
30		1		3,650	8,850	
30		1		950	7,900	
30		2		2,000	5,900	
Dec. 1		2		2,400	3,500	
1		2		800	2,700	
1		2	360		3,060	
6		2		180	2,880	
11		2		400	2,480	
13		3		950	1,530	
16		3	3,100		4,630	
20		3		900	3,730	
21		3	650		4,380	
23		3		1,450	2,930	
27		3		1,200	1,730	
31		3		310	1,420	
31		4		225	1,195	
31		4	2,870		4,065	
31		4		2,000	2,065	

Account <i>Accounts Receivable</i>					Account No. 12	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Dec. 16		3	1,750		1,750	
21		3		650	1,100	
31		4	1,120		2,220	

Account <i>Supplies</i>					Account No. 14	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 10		1	1,350		1,350	
30		1		800	550	
Dec. 23		3	1,450		2,000	

Account <i>Prepaid Insurance</i>					Account No. 15	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Dec. 1		2	2,400		2,400	

General Ledger for NetSolutions (2 of 3)

Account <i>Land</i>					Account No. 17	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 5		1	20,000		20,000	

Account <i>Office Equipment</i>					Account No. 18	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3 Dec. 4		2	1,800		1,800	

Account <i>Accounts Payable</i>					Account No. 21	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 10		1		1,350		1,350
30		1	950			400
Dec. 4		2		1,800		2,200
11		2	400			1,800
20		3	900			900

Account <i>Unearned Rent</i>					Account No. 23	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3 Dec. 1		2		360		360

Account <i>Common Stock</i>					Account No. 31	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 1		1		25,000		25,000

Account <i>Dividends</i>					Account No. 33	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20Y3						
Nov. 30		2	2,000		2,000	
Dec. 31		4	2,000		4,000	

General Ledger for NetSolutions (3 of 3)

Account <i>Fees Earned</i>					Account No. 41	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 18		1		7,500		7,500
Dec. 16		3		3,100		10,600
16		3		1,750		12,350
31		4		2,870		15,220
31		4		1,120		16,340

Account <i>Wages Expense</i>					Account No. 51	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 30		1	2,125		2,125	
Dec. 13		3	950		3,075	
27		3	1,200		4,275	

Account <i>Supplies Expense</i>					Account No. 52	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 30		1	800		800	

Account <i>Rent Expense</i>					Account No. 53	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 30		1	800		800	
Dec. 1		2	800		1,600	

Account <i>Utilities Expense</i>					Account No. 54	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 30		1	450		450	
Dec. 31		3	310		760	
31		4	225		985	

Account <i>Miscellaneous Expense</i>					Account No. 59	
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
2017						
Nov. 30		1	275		275	
Dec. 6		2	180		455	

Trial Balance (1 of 4)

- The equality of debits and credits in the ledger should be proven at the end of each accounting period by preparing a **trial balance**.

Trial Balance (2 of 4)

- The steps in preparing a trial balance are as follows:
 - Step 1. List the name of the company, the title of the trial balance, and the date the trial balance is prepared.
 - Step 2. List the accounts from the ledger, and enter their debit or credit balance in the Debit or Credit column of the trial balance.
 - Step 3. Total the Debit and Credit columns of the trial balance.
 - Step 4. Verify that the total of the Debit column equals the total of the Credit column.

Trial Balance (3 of 4)

- An **unadjusted trial balance** is distinguished from an adjusted trial balance and a post-closing trial balance. (The latter two are prepared in later chapters and include additional information.)

Trial Balance (4 of 4)

NetSolutions Unadjusted Trial Balance December 31, 20Y3			
	Account No.	Debit Balances	Credit Balances
Cash	11	2,065	
Accounts Receivable	12	2,220	
Supplies	14	2,000	
Prepaid Insurance	15	2,400	
Land	17	20,000	
Office Equipment	18	1,800	
Accounts Payable	21		900
Unearned Rent	23		360
Common Stock	31		25,000
Dividends	33	4,000	
Fees Earned	41		16,340
Wages Expense	51	4,275	
Supplies Expense	52	800	
Rent Expense	53	1,600	
Utilities Expense	54	985	
Miscellaneous Expense	59	455	
		<u>42,600</u>	<u>42,600</u>

Steps 3-4

Errors Affecting the Trial Balance

- A **transposition** occurs when the order of the digits is copied incorrectly, such as writing \$542 as \$452 or \$524.
- In a **slide**, the entire number is copied incorrectly one or more spaces to the right or the left, such as writing \$542.00 as \$54.20 or \$5,420.00.

Errors Not Affecting the Trial Balance (1 of 3)

- Errors that do not cause the trial balance totals to be unequal may be discovered when preparing the trial balance or may be indicated by an unusual account balance. For example, since a business cannot have “negative” supplies, a credit balance in the supplies account indicates an error has occurred.
- If an error has already been journalized and posted to the ledger, a **correcting journal entry** is normally prepared.

Errors Not Affecting the Trial Balance (2 of 3)

- Assume that on May 5, a \$12,500 purchase of office equipment on account was incorrectly journalized and posted as a debit to Supplies and a credit to Cash for \$12,500.
- The error was discovered on May 31.
- Before making the correcting journal entry, the journal entry that was made in error is compared to the entry that should have been made.
- By comparing these two journal entries, the correcting journal entry can be determined.

Errors Not Affecting the Trial Balance (3 of 3)

Journal Entry That Was Made in Error				Journal Entry That Should Have Been Made			
May 5	Supplies	14	12,500	May 5	Office Equipment	18	12,500
	Cash	11	12,500		Cash	11	12,500
				Comparison			
				Office Equipment instead of Supplies should have been debited.			
				Cash is correctly credited for \$12,500.			
Correcting Journal Entry							
May 31	Office Equipment	18	12,500				
	Supplies	14	12,500				
				To correct entry of May 5 erroneously debiting			
				Supplies instead of Office Equipment.			

Check Up Corner: Trial Balance (1 of 3)

The accounts in the ledger of Simmons Urgent Care Inc. as of December 31, 20Y7, are listed in alphabetical order as follows. All accounts have normal balances.

21	Accounts Payable	\$ 7,200
12	Accounts Receivable	22,000
11	Cash	21,000
31	Common Stock	30,000
33	Dividends	15,000
41	Fees Earned	250,000
59	Miscellaneous Expense	2,200
18	Office Equipment	\$ 62,500
53	Rent Expense	12,000
32	Retained Earnings	36,300
14	Supplies	7,800
52	Supplies Expense	22,000
54	Utilities Expense	4,000
51	Wages Expense	155,000

Check Up Corner: Trial Balance (2 of 3)

Prepare an unadjusted trial balance, listing the accounts in their normal order.

Check Up Corner: Trial Balance (3 of 3)

Solution:

Balances from accounts with a normal debit balance are shown in the left column.

Balances from accounts with a normal credit balance are shown in the right column.

Simmons Urgent Care Inc. Unadjusted Trial Balance December 31, 20Y7

Accounts from the general ledger are presented in the order in which they appear in the ledger.

	Account No.	Debit Balances	Credit Balances
Cash	11	21,000	
Accounts Receivable	12	22,000	
Supplies	14	7,800	
Office Equipment	18	62,500	
Accounts Payable	21		7,200
Common Stock	31		30,000
Retained Earnings	32		36,300
Dividends	33	15,000	
Fees Earned	41		250,000
Wages Expense	51	155,000	
Supplies Expense	52	22,000	
Rent Expense	53	12,000	
Utilities Expense	54	4,000	
Miscellaneous Expense	59	2,200	
		<u>323,500</u>	<u>323,500</u>

The trial balance verifies that the total debits equal total credits. If total debits do not equal total credits, an error has occurred.

Analysis for Decision Making: Horizontal Analysis (1 of 2)

- In **horizontal analysis**, the amount of each item on a current financial statement is compared with the same item on an earlier statement.
- The increase or decrease in the *amount* of the item is computed together with the *percent* of increase or decrease.
- When two statements are being compared, the earlier statement is used as the base for computing the amount and the percent of change.

Analysis for Decision Making: Horizontal Analysis (2 of 2)

J. Holmes, Attorney-at-Law Income Statements For the Years Ended December 31

	20Y7	20Y6	Increase/(Decrease)	
			Amount	Percent
Fees earned	<u>\$187,500</u>	<u>\$150,000</u>	<u>\$37,500</u>	25.0%*
Expenses:				
Wages expense.....	\$ (60,000)	\$ (45,000)	\$15,000	33.3%
Rent expense.....	(15,000)	(12,000)	3,000	25.0%
Utilities expense.....	(12,500)	(9,000)	3,500	38.9%
Supplies expense.....	(2,700)	(3,000)	(300)	(10.0)%
Miscellaneous expense.....	<u>(2,300)</u>	<u>(1,800)</u>	<u>500</u>	27.8%
Total expenses	<u>\$ (92,500)</u>	<u>\$ (70,800)</u>	<u>\$21,700</u>	30.6%
Net income.....	<u><u>\$ 95,000</u></u>	<u><u>\$ 79,200</u></u>	<u><u>\$15,800</u></u>	19.9%

*\$37,500 ÷ \$150,000