CHAPTER 2

# THE RECORDING PROCESS

### CHAPTER Learning OBJECTIVES

1. ***Describe how accounts, debits, and credits are used to record business transactions.*** Debit means left and credit means right. The normal balance of an asset is a debit because assets are on the left side of the accounting equation. Assets are increased by debits and decreased by credits. The normal balance of liabilities and owner’s capital is a credit because they are on the right side of the accounting equation. Liabilities and owner’s capital are increased by credits and decreased by debits. Revenues increase owner’s equity and therefore are recorded as credits because credits increase owner’s equity. Credits increase revenues and debits decrease revenues. Expenses and drawings decrease owner’s equity and therefore are recorded as debits because debits decrease owner’s equity. Expenses and drawings are increased by debits and decreased by credits.

2. ***State how a journal is used in the recording process and journalize transactions.*** The steps in the recording process are the first three steps in the accounting cycle. These steps are: (a) analyze each transaction for its effect on the accounts, (b) record the transaction in a journal, and (c) transfer the journal information to the correct accounts in the ledger.

A journal: (a) discloses the complete effect of a transaction in one place, (b) provides a chronological record of transactions, (c) helps to prevent and locate errors because the debit and credit amounts for each entry can be easily compared, and (d) explains the transaction and, if there is one, identifies the source document.

3. ***Explain how a ledger helps in the recording process and post transactions.*** The entire group of accounts maintained by a company is called the ledger. The ledger keeps in one place all the information about changes in each of the specific account balances. Posting is the procedure of transferring journal entries to the ledger accounts. After the journal entries have been posted, the ledger will show all of the increases and decreases that have been made to each account.

4. ***Prepare a trial balance.*** A trial balance is a list of the accounts in the ledger and the account balances at a specific time. Its main purpose is to prove that debits and credits are equal after posting. A trial balance uncovers certain types of errors in journalizing and posting, and is useful in preparing financial statements. Preparing a trial balance is the fourth step in the accounting cycle.

### Exercises

##### Exercise 1

##### Identify each of the following accounts as an asset, liability, equity, revenue or expense.

1. L. Ralph, Capital \_\_\_\_\_\_\_\_\_\_\_\_\_

2. Consulting Revenue \_\_\_\_\_\_\_\_\_\_\_\_\_

3. Accounts Payable \_\_\_\_\_\_\_\_\_\_\_\_\_

4. Office Supplies \_\_\_\_\_\_\_\_\_\_\_\_\_

5. Prepaid Advertising \_\_\_\_\_\_\_\_\_\_\_\_\_

6. Machinery \_\_\_\_\_\_\_\_\_\_\_\_\_

7. Cash \_\_\_\_\_\_\_\_\_\_\_\_\_

8. L. Ralph, Withdrawals \_\_\_\_\_\_\_\_\_\_\_\_\_

9. Salaries Expense \_\_\_\_\_\_\_\_\_\_\_\_\_

10. Repairs & Maintenance \_\_\_\_\_\_\_\_\_\_\_\_\_

11. Accounts Receivable \_\_\_\_\_\_\_\_\_\_\_\_\_

12. Unearned Revenue \_\_\_\_\_\_\_\_\_\_\_\_\_

13. Rent Revenue \_\_\_\_\_\_\_\_\_\_\_\_\_

**Solution 1** (5 min.)

1. Equity

2. Revenue

3. Liability

4. Asset

5. Asset

6. Asset

7. Asset

8. Equity

9. Expense

10. Expense

11. Asset

12. Liability

13. Revenue

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 2

For the accounts listed below, indicate if the normal balance of the account is a debit or credit.

Normal Balance

Accounts Debit or Credit

1. Repairs & Maintenance

2. Interest Receivable

3. Prepaid Insurance

4. Unearned Revenue

5. Insurance Expense

6. Service Revenue

7. Machinery

8. Notes Payable

9. Land

10. Owner Withdrawals

##### Solution 2 (5 min.)

Normal Balance

Accounts Debit or Credit

1. Repairs & Maintenance Debit

2. Interest Receivable Debit

3. Prepaid Insurance Debit

4. Unearned Revenue Credit

5. Insurance Expense Debit

6. Service Revenue Credit

7. Machinery Debit

8. Notes Payable Credit

9. Land Debit

10. Owner Withdrawals Debit

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 3

The following accounts relate to Navdeep’s Auto Sales:

1. Land

2. Installation Revenue

3. Land

4. Notes Receivable

5. Navdeep, Capital

6. Sales

7. Prepaid Insurance

8. Interest Payable

9. Commission Expense

10. Salaries Payable

11. Unearned Revenue

12. Navdeep, Withdrawals

**Instructions**

Use the form below to identify the type of account and its normal balance. The first one has been completed for you as an example.

Type of Account Normal Balance

Asset Liability Equity Debit Credit

1. \_\_X\_\_ \_\_\_\_\_\_ \_\_\_ \_\_X\_\_ \_\_\_\_\_
2. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
3. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
4. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
5. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
6. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
7. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
8. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
9. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
10. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
11. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_
12. \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_ \_\_\_\_\_

**Solution 3** (10 min.)

Type of Account Normal Balance

Asset Liability Equity Debit Credit

1. \_\_X\_\_ \_\_\_\_\_\_ \_\_\_ \_\_X\_\_ \_\_\_\_\_
2. \_\_\_\_\_ \_\_\_\_\_\_ X\_\_ \_\_\_\_\_ \_\_X\_\_
3. \_\_X\_\_ \_\_\_\_\_\_ \_\_\_ \_\_X\_\_ \_\_\_\_\_
4. \_\_X\_\_ \_\_\_\_\_\_ \_\_\_ \_\_X\_\_ \_\_\_\_\_
5. \_\_\_\_\_ \_\_\_\_\_\_ X\_\_ \_\_\_\_\_ \_\_X\_\_
6. \_\_\_\_\_ \_\_\_\_\_\_ X\_\_ \_\_\_\_\_ \_\_X\_\_
7. \_\_X\_\_ \_\_\_\_\_\_ \_\_\_ \_\_X\_\_ \_\_\_\_\_
8. \_\_\_\_\_ \_\_X\_\_\_ \_\_\_ \_\_\_\_\_ \_\_X\_\_
9. \_\_\_\_\_ \_\_\_\_\_\_ X\_\_ \_\_X\_\_ \_\_\_\_\_
10. \_\_\_\_\_ \_\_X\_\_\_ \_\_\_ \_\_\_\_\_ \_\_X\_\_
11. \_\_\_\_\_ \_\_X\_\_\_ \_\_\_ \_\_\_\_\_ \_\_X\_\_
12. \_\_\_\_\_ \_\_\_\_\_\_ X\_\_ \_\_X\_\_ \_\_\_\_\_

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 4

The chart of accounts used by Fortier Copy Company is listed below:

10 Cash 30 D. Fortier, Capital

12 Accounts Receivable 35 D. Fortier, Drawings

15 Paper Supplies 40 Photocopy Revenue

18 Copy Machines 51 Advertising Expense

22 Accounts Payable 53 Rent Expense

25 Notes Payable 54 Wages Expense

28 Unearned Revenue

**Instructions**

Indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

——————————————————————————————————————————

Number(s) Number(s)

of account(s) of account(s)

debited credited

——————————————————————————————————————————

1. Dan Fortier invests $90,000 cash to start the business.

——————————————————————————————————————————

2. Purchased three photocopy machines for $200,000, paying $50,000 cash and signing a 5-year, 6% note for the remainder.

——————————————————————————————————————————

3. Purchased $5,000 paper supplies on credit.

——————————————————————————————————————————

4. Cash photocopy revenue amounted to $7,000.

——————————————————————————————————————————

5. Paid $500 cash for radio advertising.

——————————————————————————————————————————

6. Paid $800 on account for paper supplies purchased in transaction 3.

——————————————————————————————————————————

7. Dan Fortier withdrew $1,500 from the business for personal expenses.

——————————————————————————————————————————

8. Paid $1,200 cash for rent for the current month.

——————————————————————————————————————————

9. Received $2,000 cash advance from a customer for future copying.

——————————————————————————————————————————

10. Billed a customer for $450 for photocopy work done.

——————————————————————————————————————————

11. Paid $400 for wages for the month.

——————————————————————————————————————————

##### Solution 4 (15 min.)

——————————————————————————————————————————

Number(s) Number(s)

of account(s) of account(s)

debited credited

——————————————————————————————————————————

1. Dan Fortier invests $90,000 cash to start the

business. 10 30

——————————————————————————————————————————

2. Purchased three photocopy machines for

$200,000, paying $50,000 cash and signing a

5-year, 6% note for the remainder. 18 10, 25

——————————————————————————————————————————

3. Purchased $5,000 paper supplies on credit. 15 22

——————————————————————————————————————————

4. Cash photocopy revenue amounted to $7,000. 10 40

——————————————————————————————————————————

5. Paid $500 cash for radio advertising. 51 10

——————————————————————————————————————————

6. Paid $800 on account for paper supplies

purchased in transaction 3. 22 10

——————————————————————————————————————————

7. Dan Fortier withdrew $1,500 from the business for

personal expenses. 35 10

——————————————————————————————————————————

8. Paid $1,200 cash for rent for the current month. 53 10

——————————————————————————————————————————

9. Received $2,000 cash advance from a

customer for future copying. 10 28

——————————————————————————————————————————

10. Billed a customer for $450 for photocopy work

done. 12 40

——————————————————————————————————————————

11. Paid $400 for wages for the month. 54 10

——————————————————————————————————————————

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 5

Indicate whether you would use a debit or a credit to record the following changes:

Debit or Credit

1. An increase in Salary Expense

2. A decrease in Accounts Payable

3. An increase in Prepaid Insurance

4. An increase in Owner's Capital

5. A decrease in Office Supplies

6. An increase in Owner's Drawings

7. An increase in Service Revenue

8. A decrease in Accounts Receivable

9. An increase in Rent Expense

10. A decrease in Store Equipment

##### Solution 5 (5 min.)

1. An increase in Salary Expense Debit

2. A decrease in Accounts Payable Debit

3. An increase in Prepaid Insurance Debit

4. An increase in Owner's Capital Credit

5. A decrease in Office Supplies Credit

6. An increase in Owner's Drawings Debit

7. An increase in Service Revenue Credit

8. A decrease in Accounts Receivable Credit

9. An increase in Rent Expense Debit

10. A decrease in Store Equipment Credit

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 6

For the accounts listed below, indicate if the normal balance of the account is a debit or credit.

Normal Balance

Accounts Debit or Credit

1. Service Revenue

2. Cash

3. Accounts Receivable

4. Accounts Payable

5. Owner's Capital

6. Prepaid Insurance

7. Insurance Expense

8. Owner's Drawings

9. Office Building

10. Notes Receivable

##### Solution 6 (5 min.)

Normal Balance

Accounts Debit or Credit

1. Service Revenue Credit

2. Cash Debit

3. Accounts Receivable Debit

4. Accounts Payable Credit

5. Owner's Capital Credit

6. Prepaid Insurance Debit

7. Insurance Expense Debit

8. Owner's Drawings Debit

9. Office Building Debit

10. Notes Receivable Debit

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 7

Using the accounts listed below, state the account to be debited and the account to be credited for each of the following transactions:

1. Owner invested cash in the business.

2. Purchased equipment for cash.

3. Invoiced for services provided .

4. Purchased supplies on account.

5. Paid for supplies purchased in 4.

6. Received payment from customer in 3.

7. Paid employee salaries.

8. Owner withdrew cash for personal use.

9. Purchased equipment on credit.

10. Owner used personal funds to purchase a new computer for use in the business.

ACCOUNTS

Cash Owner’s Capital

Accounts Receivable Owner’s Drawings

Supplies Revenue

Equipment Salaries Payable

Accounts Payable Salaries Expense

##### Solution 7 (10 min.)

Debit Credit

1. Cash Owner’s Capital

2. Equipment Cash

3. Accounts Receivable Revenue

4. Supplies Accounts Payable

5. Accounts Payable Cash

6. Cash Accounts Receivable

7. Salaries Expense Cash

8. Owner’s Drawings Cash

9. Equipment Accounts Payable

10. Equipment Owner’s Capital

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 8

Identify the account to be debited and the account to be credited for each of the following transactions:

1. Purchased equipment for cash and a note payable.

2. Accepted a cash deposit from a customer for a service to be provided next month.

3. Provided services on account.

4. Purchased supplies on account.

5. Received payment form the client in 3.

6. Provided services to customer in 2 and collected cash for the remaining work done.

7. Owner paid himself.

8. Paid in full for equipment purchased in 1.

##### Solution 8 (10 min.)

Debit Credit

1. Equipment Cash, Note Payable

2. Cash Unearned Revenue

3. Accounts Receivable Revenue / Sales

4. Supplies Accounts Payable

5. Cash Accounts Receivable

6. Unearned Revenue, Cash Revenue / Sales

7. Owner’s Drawings Cash

8. Note Payable Cash

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 9

Eight transactions are recorded in the following T accounts:

Cash Accounts Receivable

(1) 35,000 (2) 3,500 (5) 27,500 (7) 22,500

(7) 22,500 (3) 1,950

(4) 2,225

(6) 8,000

(8) 4,500

Supplies Equipment

(3) 1,950 (2) 13,500

T. Shaw, Capital Service Revenue

(1) 35,000 (5) 27,500

Accounts Payable T. Shaw, Drawings

(6) 8,000 (2) 10,000 (8) 4,500

Salaries Expense

(4) 2,225

**Instructions**

Indicate for each debit and each credit:

a) whether an asset, liability, capital, drawings, revenue, or expense account was affected, and

b) whether the account was increased (+) or decreased (–).

Answers should be presented in the following chart form:

Transaction Account Debited Account Credited

No. Type Effect Type Effect

(1) (Example) Asset + Capital +

——————————————————————————————————————————

(2)

——————————————————————————————————————————

(3)

——————————————————————————————————————————

(4)

——————————————————————————————————————————

(5)

——————————————————————————————————————————

(6)

——————————————————————————————————————————

(7)

——————————————————————————————————————————

(8)

——————————————————————————————————————————

##### Solution 9 (15 min.)

Transaction Account Debited Account Credited

No. Type Effect Type Effect

(1) (Example) Asset + Capital +

——————————————————————————————————————————

(2) Asset + Asset –

Liability +

——————————————————————————————————————————

(3) Asset + Asset –

——————————————————————————————————————————

(4) Expense + Asset –

——————————————————————————————————————————

(5) Asset + Revenue +

——————————————————————————————————————————

(6) Liability – Asset –

——————————————————————————————————————————

(7) Asset + Asset –

——————————————————————————————————————————

(8) Drawings + Asset –

——————————————————————————————————————————

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 10

Analyze each of the following transactions by indicating which accounts are affected and whether they will increase or decrease. Transaction (a) is completed as an example.

a. The company’s owner, Mani Havarez, invested cash into the business.

b. Received cash in advance for future services.

c. Purchase of a one-year insurance policy.

d. Collected cash for payment of customer account.

e. Performing a service on account.

f. Office equipment is purchased by issuing a 5-year note payable.

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Accounts | Increase | Decrease |
| a. | Cash | x |  |
|  | M. Havarez, Capital | x |  |
| b. |  |  |  |
|  |  |  |  |
| c. |  |  |  |
|  |  |  |  |
| d. |  |  |  |
|  |  |  |  |
| e. |  |  |  |
|  |  |  |  |
| f. |  |  |  |
|  |  |  |  |

**Solution 10** (10 min.)

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Accounts | Increase | Decrease |
| a. | Cash | x |  |
|  | M. Havarez, Capital | x |  |
| b. | Cash | x |  |
|  | Unearned Revenue | x |  |
| c. | Prepaid Insurance | x |  |
|  | Cash |  | x |
| d. | Cash | x |  |
|  | Accounts Receivable |  | x |
| e. | Accounts Receivable | x |  |
|  | Service Revenue | x |  |
| f. | Office Equipment | x |  |
|  | Notes Payable | x |  |

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 11

Analyze each of the following transactions by indicating which accounts are affected and whether they will increase or decrease. Transaction (a) is completed as an example.

a. The company paid cash to acquire land.

b. Employee salaries are paid.

c. Services were provided to a customer on account.

d. Office supplies are purchased on account.

e. Office rent for September is paid in cash.

f. The company’s owner, Paul Wong, withdrew cash from the business.

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Accounts | Increase | Decrease |
| a. | Land | x |  |
|  | Cash |  | x |
| b. |  |  |  |
|  |  |  |  |
| c. |  |  |  |
|  |  |  |  |
| d. |  |  |  |
|  |  |  |  |
| e. |  |  |  |
|  |  |  |  |
| f. |  |  |  |
|  |  |  |  |

**Solution 11** (10 min.)

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Accounts | Increase | Decrease |
| a. | Land | x |  |
|  | Cash |  | x |
| b. | Salary Expense | x |  |
|  | Cash |  | x |
| c. | Accounts Receivable | x |  |
|  | Service Revenue | x |  |
| d. | Office Supplies | x |  |
|  | Accounts Payable | x |  |
| e. | Rent Expense | x |  |
|  | Cash |  | x |
| f. | P. Wong, Withdrawals | x |  |
|  | Cash |  | x |

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

**Exercise 12**

Hannah Steel has operated a lawn care business for 3 months. The following transactions occurred in the fourth month:

1. Hannah decides that the business needs a new vehicle. A truck is purchased for $20,000 and financed by a note payable for the full amount.
2. Hannah invested $5,000 of her own funds in the business.
3. Invoices to customers were issued for services completed. The total invoices amount to $4,500.
4. Paid $350 on account for supplies purchased the prior month.
5. Collected $3,750 from customers for work completed and invoiced the prior month.
6. Paid wages of $250 to an assistant.
7. Received $300 deposit from a new customer for whom work will not be performed until next month.

For each transaction, complete the information in the following table:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Transaction: | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|  |  |  |  |  |  |  |  |
| Account **debited** (name) |  |  |  |  |  |  |  |
| Type of account (asset, liability, owner’s equity) |  |  |  |  |  |  |  |
| Normal balance of the account |  |  |  |  |  |  |  |
| Is the account increased or decreased? |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Account **credited** (name) |  |  |  |  |  |  |  |
| Type of account (asset, liability, owner’s equity) |  |  |  |  |  |  |  |
| Normal balance of the account |  |  |  |  |  |  |  |
| Is the account increased or decreased? |  |  |  |  |  |  |  |

**Solution 12** (15 min.)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Transaction: | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|  |  |  |  |  |  |  |  |
| Account **debited** (name) | Vehicle/  equipment | Cash | Accounts Receivable | Accounts Payable | Cash | Wages Expense | Cash |
| Type of account (asset, liability, owner’s equity) | Asset | Asset | Asset | Liability | Asset | Owner’s equity | Asset |
| Normal balance of the account | DR | DR | DR | CR | DR | DR | DR |
| Is the account increased or decreased? | Increase | Increase | Increase | Decrease | Increase | Increase | Increase |
|  |  |  |  |  |  |  |  |
| Account **credited** (name) | Note Payable | H. Steel, Capital | Service Revenue | Cash | Accounts Receivable | Cash | Unearned Revenue |
| Type of account (asset, liability, owner’s equity) | Liability | Owner’s equity | Owner’s equity | Asset | Asset | Asset | Liability |
| Normal balance of the account | CR | CR | CR | DR | DR | DR | CR |
| Is the account increased or decreased? | Increase | Increase | Increase | Decrease | Decrease | Decrease | Increase |

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 13

For each of the following accounts indicate:

a) the type of account (Asset, Liability, Owner's capital, Owner’s drawings, Revenue, Expense),

b) the debit and credit effects, and

c) the normal account balance.

Example

0. Cash a) Asset account

b) Debit increases, credit decreases

c) Normal balance – debit

ACCOUNTS

1. Accounts Payable 5. Service Revenue

2. Accounts Receivable 6. Insurance Expense

3. D. Chester, Capital 7. Notes Payable

4. D. Chester, Drawings 8. Equipment

##### Solution 13 (15 min.)

1. a) Liability account. 5. a) Revenue account.

b) Debit decreases, credit increases. b) Debit decreases, credit increases.

c) Normal balance – credit. c) Normal balance – credit.

2. a) Asset account. 6. a) Expense account.

b) Debit increases, credit decreases. b) Debit increases, credit decreases.

c) Normal balance – debit. c) Normal balance – debit.

3. a) Owner's capital account. 7. a) Liability account.

b) Debit decreases, credit increases. b) Debit decreases, credit increases.

c) Normal balance – credit. c) Normal balance – credit.

4. a) Owner's drawings account. 8. a) Asset account.

b) Debit increases, credit decreases. b) Debit increases, credit decreases.

c) Normal balance – debit. c) Normal balance – debit.

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 14

Mike’s Pancake Shop has balances in the following accounts at the end of May:

1. Supplies 6. Owner’s Capital

2. Accounts Receivable 7. Prepaid Insurance

3. Unearned Revenue 8. Equipment

4. Salaries Payable 9. Accounts Payable

5. Sales Revenue 10. Notes Payable

**Instructions**

For each of the accounts indicate:

a) the type of account (Asset, Liability, Owner's capital, Owner’s drawings, Revenue, Expense),

b) the debit and credit effects, and

c) the normal account balance.

##### Solution 14 (15 min.)

1. a) Asset account. 6. a) Owner’s Capital account.

b) Debit increases, credit decreases. b) Debit decreases, credit increases.

c) Normal balance – debit. c) Normal balance – credit.

2. a) Asset account. 7. a) Asset account.

b) Debit increases, credit decreases. b) Debit increases, credit decreases.

c) Normal balance – debit. c) Normal balance – debit.

3. a) Liability account. 8. a) Asset account.

b) Debit decreases, credit increases. b) Debit increases, credit decreases.

c) Normal balance – credit. c) Normal balance – debit.

4. Liability account. 9. a) Liability account.

b) Debit decreases, credit increases. b) Debit decreases, credit increases.

c) Normal balance – credit. c) Normal balance – credit.

5. Revenue account. 10. a) Liability account.

b) Debit decreases, credit increases. b) Debit decreases, credit increases.

c) Normal balance – credit. c) Normal balance – credit.

Bloomcode: Comprehension

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 15

For each transaction given, enter in the tabulation given below a "D" for debit and a "C" for credit to reflect the increases and decreases of the assets, liabilities, and owner's equity accounts. In some cases there may be a "D" and a "C" in the same column. If there is not a transaction that needs to be recorded, leave the column blank.

Transactions:

1. Owner invests cash in the business.

2. Pays insurance in advance for six months.

3. Hires new administrative assistant.

4. Purchases office supplies on account.

5. Pays electricity bill.

6. Borrows money from local bank.

7. Makes payment on account.

8. Receives cash from customers on account.

9. Provides services to customers on account.

10. Owner withdraws assets from the business.

Transaction #

1 2 3 4 5 6 7 8 9 10

——————————————————————————————————————————

Assets

——————————————————————————————————————————

Liabilities

——————————————————————————————————————————

Owner's Capital

——————————————————————————————————————————

Owner's Drawings

——————————————————————————————————————————

Revenues

——————————————————————————————————————————

Expenses

——————————————————————————————————————————

##### Solution 15 (15 min.)

Transaction #

1 2 3 4 5 6 7 8 9 10

——————————————————————————————————————————Assets D D,C D C D C D,C D C

——————————————————————————————————————————Liabilities C C D

——————————————————————————————————————————Owner's Capital C

——————————————————————————————————————————Owner's Drawings D

——————————————————————————————————————————Revenues C

——————————————————————————————————————————Expenses D

——————————————————————————————————————————

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Describe how accounts, debits, and credits are used to record business transactions.

Section Reference: The Account

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 16

The listing below includes all steps in the accounting cycle:

Journalize/Post adjusting entries.

Analyze business transactions.

Journalize/Post closing entries.

Journalize the transactions.

Post to ledger accounts.

Prepare adjusted trial balance.

Prepare post-closing trial balance.

Prepare financial statements.

Prepare unadjusted trial balance.

**Instructions**

Place the steps of the accounting cycle stated above in the correct order.

Solution 16 (5 min.)

1. Analyze business transactions.

2. Journalize the transactions.

3. Post to ledger accounts.

4. Prepare unadjusted trial balance.

5. Journalize/Post adjusting entries.

6. Prepare adjusted trial balance.

7. Prepare financial statements.

8. Journalize/Post closing entries.

9. Prepare post-closing trial balance.

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 17

Based on the journal entries below, provide an explanation of the event that properly describes the transaction.

a. Cash 90,000

J. Squires, Capital 90,000

b. Equipment 22,000

Notes Payable 22,000

c. Accounts Receivable 1,000

Service Revenue 1,000

d. Prepaid Insurance 1,600

Cash 1,600

e. J. Squires, Withdrawals 10,000

Cash 10,000

f. Salary Expense 6,500

Cash 6,500

**Solution 17** (10 min.)

a. Owner invested cash of $90,000 into the business.

b. Purchased equipment by signing a note for $22,000.

c. Performed $1,000 of services for a customer on account.

d. Purchased insurance policy that will expire in the future for $1,600 cash.

e. Owner withdrew cash of $10,000 from the company.

f. Paid salaries of $6,500 to employees for work performed.

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 18

##### Nicole Brighten started a painting business in November. Prepare journal entries to record the transactions during the month of November detailed below. You may omit explanations of the transactions.

1. Nicole started the business by investing cash of $20,000, equipment with a fair value of $5,000, and painting supplies with a fair value of $800.

2. Entered into a painting contract with a client for a total of $2,500 that provided a deposit of $500 prior to commencing any work.

3. Purchased painting supplies for $320 on account.

4. Received cash of $1,200 for painting services provided

5. Paid for one year insurance in advance, $2,400.

6. Completed the painting contract in (2) above and received the balance owing in cash of $2,000.

7. Paid cash of $400 from the business bank account for Nicole’s personal expenses.

8. Paid for the supplies purchase in (3) above.

##### Solution 18 (15 min.)

1. Cash 20,000

Equipment 5,000

Painting Supplies 800

N. Brighten, Capital 25,800

2. Cash 500

Unearned Revenue 500

3. Painting Supplies 320

Accounts Payable 320

4. Cash 1,200

Painting Revenue 1,200

5. Prepaid Insurance 2,400

Cash 2,400

6. Unearned Revenue 500

Cash 2,000

Painting Revenue 2,500

7. N. Brighten, Withdrawals 400

Cash 400

8. Accounts Payable 320

Cash 320

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 19

##### Omer Duncan’s Concrete Limited completed the following transactions during the month of August of the current year:

##### Aug 1 Purchased a new mixing machine for $22,500, paying cash of $2,500 and signing a note payable for the remainder.

Aug 4 Omer (owner) purchased a new snowmobile for personal use which he funded with excess cash held by the company, $12,000.

Aug 4 Completed finishing work for $1,700 on account.

Aug 5 Purchased finishing tools for $1,100 on account.

Aug 10 Received payment of $800 in advance for work to be performed next month.

Aug 15 Paid annual insurance premiums of $3,500 which provides coverage for a one-year period expiring next year.

Aug 17 Received payment in full from the work completed on August 4.

Aug 21 Paid for items purchased on August 5.

Aug 23 Omer invested additional cash of $10,000 into the business.

Aug 25 Paid cash of $400 for an oil change and minor repairs to the company vehicle.

Aug 31 Paid the August utility bills for a total of $250.

**Instructions**

##### Prepare journal entries to record the transactions. You may omit explanations of the transactions.

##### Solution 19 (15 min.)

Aug 1 Mixing Machine 22,500

Cash 2,500

Note Payable 20,000

Aug 4 Omer, Withdrawals 12,000

Cash 12,000

Aug 4 Accounts Receivable 1,700

Finishing Revenue 1,700

Aug 5 Finishing Tools 1,100

Accounts Payable 1,100

Aug 10 Cash 800

Unearned Revenue 800

Aug 15 Prepaid Insurance 3,500

Cash 3,500

Aug 17 Cash 1,700

Accounts Receivable 1,700

Aug 21 Accounts Payable 1,100

Cash 1,100

Aug 23 Cash 10,000

Omer, Capital 10,000

Aug 25 Vehicle Repairs and Maintenance 400

Cash 400

Aug 31 Utilities Expense 250

Cash 250

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 20

##### On January 22, 2021, Jackie Tanner invested the following assets in a new sole proprietorship: cash of $18,000; office equipment with a value of $8,000; land with a value of $80,000; building with a value of $150,000. Tanner also transferred to the company a note payable of $25,000 that is secured by the land and building.

##### Instructions

Prepare the journal entry to record Tanner’s investments in the new business.

##### Solution 20 (5 min.)

2021

Jan 22 Cash 18,000

Office Equipment 8,000

Land 80,000

Building 150,000

Note Payable 25,000

Jackie Tanner, Capital 231,000

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 21

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

1. The owner, Meghan Honour, invests $35,000 in cash to start a real estate office operating as a sole proprietorship.

2. Purchased $400 of office supplies on credit.

3. Purchased office equipment for $6,000, paying $2,500 in cash and signed a 30-day, $3,500, note payable.

4. Real estate commissions billed to clients amounted to $4,000.

5. Paid $700 in cash for the current month's rent.

6. Paid $200 cash on account for office supplies purchased in transaction 2.

7. Received a bill for $500 for advertising for the current month.

8. Paid $2,200 cash for office salaries.

9. Meghan withdrew $1,200 from the business for living expenses.

10. Received a cheque for $3,000 from a client in payment on account for commissions billed in transaction 4.

##### Solution 21 (15 min.)

1. Cash 35,000

Meghan Honour, Capital 35,000

2. Office Supplies 400

Accounts Payable 400

3. Office Equipment 6,000

Cash 2,500

Notes Payable 3,500

4. Accounts Receivable 4,000

Real Estate Commission Revenue 4,000

5. Rent Expense 700

Cash 700

6. Accounts Payable 200

Cash 200

7. Advertising Expense 500

Accounts Payable 500

8. Office Salaries Expense 2,200

Cash 2,200

9. Meghan Honour, Drawings 1,200

Cash 1,200

10. Cash 3,000

Accounts Receivable 3,000

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 22

##### Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

##### 1. Received $25,000 cash as investment from Clay Gordon, the company’s owner.

##### 2. Purchased equipment for $40,000, paying $15,000 in cash and giving a note payable for the remainder.

##### 3. Paid $3,000 for a one-year insurance policy.

##### 4. Billed customers for $22,500 of services provided on account.

##### 5. Paid monthly rent of $1,500.

##### 6. Performed $6,500 of services and immediately received $6,500 cash.

##### 7. Collected $2,000 from customers on account.

8. Hired a secretary.

9. Paid the secretary his first week’s salary of $700.

##### Solution 22 (10 min.)

##### Cash 25,000

##### C. Gordon, Capital 25,000

##### 2. Equipment 40,000

##### Cash 15,000

##### Note Payable 25,000

##### 3. Prepaid Insurance 3,000

##### Cash 3,000

##### 4. Accounts Receivable 22,500

##### Service Revenue 22,500

##### 5. Rent Expense 1,500

##### Cash 1,500

##### 6. Cash 6,500

##### Service Revenue 6,500

##### 7. Cash 2,000

##### Accounts Receivable 2,000

1. No transaction
2. Wage Expense 700

Cash 700

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 23

##### a) Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

##### 1. The owner, Robbie Cobalt, invested $50,000 to start a record company operating as a sole proprietorship.

##### 2. Received a $10,000 deposit from a customer to produce a record.

##### 3. Purchased $15,000 of sound equipment using cash and a $10,000 loan.

##### 4. Paid 6 months rent in advance. Monthly rent is $750.

##### 5. Provided services for $12,500, half of which was collected in cash at the time of the sale.

##### 6. Paid staff salaries of $3,000.

##### 7. Paid himself $2,500.

8. Collected the remaining outstanding balance on customer accounts.

9. Paid the outstanding loan, in full, from the purchase of the sound equipment.

##### b) What is the cash balance that would appear on the trial balance at the end of the period?

##### Solution 23 (10 min.)

##### a)

##### 1. Cash 50,000

##### R. Cobalt, Capital 50,000

##### 2. Cash 10,000

##### Unearned Revenue 10,000

##### 3. Equipment 15,000

##### Cash 5,000

Note Payable.............................. 10,000

##### 4. Prepaid Rent 4,500

##### Cash 4,500

($750 \* 6 mths)

##### 5. Accounts Receivable 6,250

Cash.................................................... 6,250

##### Service Revenue 12,500

##### 6. Salaries Expense 3,000

##### Cash 3,000

##### 7. R. Cobalt, Drawings 2,500

##### Cash 2,500

8. Cash..................................................... 6,250

Accounts Receivable......................................... 6,250

9. Note Payable........................................ 10,000

Cash......................................... 10,000

b) The balance in the cash account on the trial balance is $47,500.

Cash

(1) 50,000 5,000 (3)

(2) 10,000 4,500 (4)

(5) 6,250 3,000( 6)

2,500 (7)

(8) 6,250 10,000 (10)

Balance 47,500

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

Exercise 24

Transactions for the Far North Hauling Company for the month of November are presented below:

1. Chris Thompson invested an additional $66,000 cash in the business.

2. Purchased land costing $48,000 for cash.

3. Purchased equipment costing $45,000 for $14,500 cash and the remainder on account.

4. Purchased supplies on account for $1,800.

5. Paid $3,250 for a one-year insurance policy.

6. Received $6,000 cash for services performed.

7. Received $2,200 for services previously performed on account.

8. Paid wages to employees for $2,500.

9. Paid $400 to Chris Thompson, the company’s owner.

**Instructions**

Journalize each transaction and identify each transaction by number. You may omit journal explanations.

Solution 24 (10 min.)

1. Cash 66,000

C. Thompson, Capital 66,000

2. Land 48,000

Cash 48,000

3. Equipment 45,000

Cash 14,500

Accounts Payable 30,500

4. Supplies 1,800

Accounts Payable 1,800

5. Prepaid Insurance 3,250

Cash 3,250

6. Cash 6,000

Service Revenue 6,000

7. Cash 2,200

Accounts Receivable 2,200

8. Wages Expense 2,500

Cash 2,500

9. C. Thompson, Drawings 400

Cash 400

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

Exercise 25

Joe’s Bike Repairs opened for business on November 1, 2021. The following transactions occurred in November:

Nov 1 Joe Amirkhani invested $5,000 cash in the business and contributed equipment valued at $2,300.

Nov 3 Purchased supplies for cash $560.

Nov 5 Completed services for customers who paid cash $400.

Nov 6 Paid $660 for a one-year insurance policy. The policy takes effect November 1 and will expire October 31, 2022.

Nov 8 Completed services for a major customer and invoiced the customer $1,000.

Nov 15 Paid for printing advertising brochures $125. The brochures were distributed the same day.

Nov 20 Received a bill from the utilities company for November utilities in the amount of $70. The amount is due December 4.

Nov 25 Entered into a contract with a new customer who will use Joe’s services for repairs on their entire fleet of rental bikes. The customer paid $800 in advance for repairs to be completed in December.

Nov 30 Joe withdrew $1,200 for personal use.

Nov 30 Received $600 cash from the customer billed on November 8.

Instructions

Journalize the above transactions. Explanations are not required.

Solution 25 (10 min.)

Nov 1 Cash 5,000

Equipment 2,300

J. Amirkhani, Capital 7,300

3 Supplies 560

Cash 560

5 Cash 400

Service Revenue 400

6 Insurance Expense 55

Prepaid Insurance 605

Cash 660

8 Accounts Receivable 1,000

Service Revenue 1,000

15 Advertising Expense 125

Cash 125

20 Utilities Expense 70

Accounts Payable 70

25 Cash 800

Unearned Revenue 800

30 J. Amirkhani, Drawings 1,200

Cash 1,200

30 Cash 600

Accounts Receivable 600

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

**Exercise 26**

Journalize the following business transactions in general journal form. Identify each transaction by number. You may omit explanations of the transactions.

1. Irma Lepage invests $45,000 cash to start a law firm, Legal Lepage, operating as a proprietorship.

2. Paid $2,700 cash for the first three months’ rent.

3. Purchased office equipment for $25,000, paying $8,500 in cash and signed a 30-day, 5% note payable for $16,500.

4. Paid $660 cash for the purchase of office supplies.

5. Received a bill for $700 for advertising for the current month.

6. Billed $10,000 to clients for legal services.

7. Paid $700 cash on account for the advertising in transaction 5.

8. Paid $4,500 cash for office salaries.

9. Irma withdrew $6,200 cash.

10. Received a cheque for $5,000 from a client in payment on account for services billed in transaction 6.

Solution 26 (15 min.)

1. Cash 45,000

I. Lepage, Capital 45,000

2. Prepaid Rent 2,700

Cash 2,700

3. Office Equipment 25,000

Cash 8,500

Notes Payable 16,500

4. Office Supplies 660

Cash 660

5. Advertising Expense 700

Accounts Payable 700

6. Accounts Receivable 10,000

Service Revenue 10,000

7. Accounts Payable 700

Cash 700

8. Office Salaries Expense 4,500

Cash 4,500

9. I. Lepage, Drawings 6,200

Cash 6,200

10. Cash 5,000

Accounts Receivable 5,000

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Section Reference: Analyzing and Recording Transactions

CPA: Financial Reporting

AACSB: Analytic

Exercise 27

The chart of accounts used by Moe Printing is listed below:

1 Cash 8 Interest Payable

2 Accounts Receivable 9 M. Philippe, Capital

3 Paper Supplies 10 M. Philippe, Drawings

4 Copy Machines 11 Service Revenue

5 Accounts Payable 12 Rent Expense

6 Note Payable 13 Utilities Expense

7 Unearned Revenue

**Instructions**

Indicate the proper accounts to be debited and credited for the following transactions by writing the account number(s) in the appropriate columns.

Account Account

number(s) number(s)

debited credited

1. Moe Philippe invests $120,000 cash to start the business.

2. Purchased three digital copy machines for $400,000, paying $100,000 cash and signing a 5-year, 6% note for the remainder.

3. Purchased $10,000 paper supplies on credit.

4. Paid $1,200 cash for rent for the current month.

5. Paid $400 cash for utilities for the current month.

6. Paid $2,000 on account for paper supplies purchased in transaction 3.

7. Moe Philippe withdrew $1,500 for personal expenses.

8. Received $9,000 cash for printing services.

9. Received $2,000 cash advance from a customer for future printing.

10. Billed a customer for $450 for printing services completed.

Solution 27 (15 min.)

Account Account

number(s) number(s)

debited credited

1. Moe Philippe invests $120,000 cash

to start the business. 1 9

2. Purchased three digital copy machines for

$400,000, paying $100,000 cash and signing a

5-year, 6% note for the remainder. 4 1, 6

3. Purchased $10,000 paper supplies on credit. 3 5

4. Paid $1,200 cash for rent for the current month. 12 1

5. Paid $400 utilities cash for the current month. 13 1

6. Paid $2,000 on account for paper supplies

purchased in transaction 3. 5 1

7. Moe Philippe withdrew $1,500

for personal expenses. 10 1

8. Received $9,000 cash for printing services. 1 11

9. Received $2,000 cash advance from a

customer for future printing. 1 7

10. Billed a customer for $450 for printing services

completed. 2 11

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

Exercise 28

The transactions of the Got It Now Store are recorded in the general journal below.

General Journal

Date Account Titles and Explanation Debit Credit

2021

Aug 5 Accounts Receivable 2,800

Service Revenue 2,800

10 Cash 3,000

Service Revenue 3,000

19 Rent Expense 1,000

Cash 1,000

25 Cash 1,400

Accounts Receivable 1,400

**Instructions**

Post the journal entries to the following T accounts and calculate the August 31 balances.

General Ledger

Cash Accounts Receivable

Bal fwd. 1,250 Bal fwd. 800

J. Jackson, Capital

Bal fwd. 2,050

Service Revenue Rent Expense

Solution 28 (5 min.)

General Ledger

Cash Accounts Receivable

Bal fwd 1,250 8/19 1,000 Bal fwd 800 8/25 1,400

8/10 3.000 8/5 2,800

8/25 1,400

8/31 Bal. 4,650 8/31 Bal. 2,200

J. Jackson, Capital

Bal fwd. 2,050

8/31 Bal. 2,050

Service Revenue Rent Expense

8/5 2,800 8/19 1,000

8/10 3,000

8/31 Bal. 5,800 8/31 Bal. 1,000

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

Exercise 29

Using the T accounts provided below, determine the amounts for (a) through (f):

Cash Accounts Receivable

29,250 9,500 27,500 22,500

12,500 1,950 2,950 27,500

4,225 (b)

8,000

Bal. (a) Bal. 8,420

Supplies Equipment

1,950 13,500

(c) (d)

Bal. 1,435 Bal. 23,625

L. Mussle, Capital Sales Revenue

35,000 7,500

2,800 (e) 1,800

690

Bal. 49,200 (f)

Bal. 16,670

**Solution 29** (5 min)

Cash Accounts Receivable

29,250 9,500 27,500 22,500

12,500 1,950 2,950 27,500

4,225 (b) 27,970

8,000

Bal. (a) 18,075 Bal. 8,420

Supplies Equipment

1,950 13,500

(c) 515 (d) 10,125

Bal. 1,435 23,625

L. Mussle, Capital Sales Revenue

35,000 7,500

2,800 (e) 17,000 1,800

690

Bal. 49,200 (f) 6,680

Bal. 16,670

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

Exercise 30

Using the T accounts provided below, determine the amounts for (a) through (f):

Cash Accounts Receivable

20,000 4,000 (b) 1,020

8,900 2,200 5,320 770

500 5,320

(a)

Bal. 7,650 Bal. 8,210

Prepaid Insurance Land

4,850 188,000

(c) (d)

Bal. 0 Bal. 510,000

M. Olypoli, Capital M. Olypoli, Withdrawals

35,000 4,500

49,110 10,000

6,890

Bal. (e)

Bal. (f)

**Solution 30** (5 min)

Cash Accounts Receivable

20,000 4,000 (b) 10,000 1,020

8,900 2,200 5,320 770

500 5,320

(a)14.550

Bal. 7,650 Bal. 8,210

Prepaid Insurance Land

4,850 188,000

(c) 4,850 (d) 322,000

Bal. 0 Bal. 510,000

M. Olypoli, Capital M. Olypoli, Withdrawals

35,000 4,500

49,110 10,000

6,890

Bal. (e) 84,110

Bal. (f) 21,390

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

Exercise 31

Al’s Plumbing Services has the following account balances as of March 31:

Cash $1,500

Accounts Receivable 2,100

Accounts Payable 650

A. Plumber, Capital 2,950

The following transactions took place during April:

1. Services of $3,100 were made on account.
2. Paid April rent of $1,100.
3. Bought $650 of supplies on account.
4. Collected $4,000 cash on outstanding customer accounts.
5. Made payments on account $500.

**Instructions**

a) Journalize April’s transactions.

b) What are the April 30 account balances? Hint: You may wish to use T accounts.

**Solution 31** (15 min.)

a)

1. Accounts Receivable 3,100

Service Revenue 3,100

1. Rent Expense........................................................ .... 1,100

Cash................................................................. 1,100

1. Supplies 650

Accounts Payable 650

4. Cash 4,000

Accounts Receivable 4,000

5. Accounts Payable 500

Cash 500

b)

Cash Accounts Receivable

Bal fwd. 1,500 1,100 Bal fwd. 2,100 4,000

4,000 500 3,100

Bal 3,900 Bal 1,200

A. Plumber Capital

Bal fwd. 2,950

Bal 2,950

Service Revenue Rent Expense

Bal. 3,100 Bal. 1,100

Accounts Payable Supplies

Bal fwd 650

650 650

500

Bal. 800 Bal. 650

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 32

The following transactions occurred for Carlos Computer Repair Company during the month of March 2021:

Mar 2 Carlos Button (owner) repaired a computer and immediately collected $140.

Mar 4 Carlos hired a new secretary who will begin working for Carlos starting next month and will be paid $2,500 per month.

Mar 8 Computer supplies were purchased for $600 on credit.

Mar 11 Completed work for a customer on account - $1,000

Mar 16 Paid $600 regarding supplies purchased on March 8.

Mar 17 Purchased some used computers for $500 to be used as supplies.

Mar 19 Paid subscription fees of $170 that will expire in March 2022.

Mar 23 Collected $1,700 regarding a customer’s account.

Mar 27 Rented specialized equipment from Programming Wizards; $920 on account.

Mar 30 Carlos withdrew $2,000 cash for personal use.

**Instructions**

Record the above transactions directly to the T accounts below. Include dates beside the transactions in your T accounts to identify the entries. You must also determine the ending balance of each account.

Cash Accounts Receivable

Bal fwd. 10,260 Bal fwd. 1,700

C. Button, Capital

Bal fwd. 8,900

Prepaid Subscriptions C. Button, Withdrawals

Bal fwd. 0 Bal fwd. 0

Service Revenue Rental Expense

Bal fwd. 2,880 Bal fwd. 0

Accounts Payable Supplies

Bal fwd 400

Bal fwd. 220

**Solution 32** (15 min.)

Cash Accounts Receivable

Bal fwd. 10,260 Bal fwd. 1,700

Mar 2 140 Mar 16 600 Mar 11 1,000 Mar 23 1,700

Mar 17 500

Mar 19 170

Mar 23 1,700

Mar 30 2,000 Bal 1,000 Bal 8,830

C. Button, Capital

Bal fwd. 8,900

Bal 8,900

Prepaid Subscriptions C. Button, Withdrawals

Bal fwd. 0 Bal fwd. 0

Mar 19 170 Mar 30 2,000

Bal 2,000

Bal 170

Service Revenue Rental Expense

Bal fwd. 2,880 Bal fwd. 0

Mar 2 140 Mar 27 920

Mar 11 1,000 Bal 920

Bal. 4,020

Accounts Payable Supplies

Bal fwd 400

Mar 8 600 Bal fwd. 220

Mar. 16 600 Mar 8 600

Mar 27 920 Mar 17 500

Bal. 1,320 Bal. 1,320

\*No entry required for Mar 4 transaction

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

**Exercise 33**

Beam’s Mountain Tours opened for business December 1, 2021. The following T accounts include eight transactions that occurred in December 2021:

Cash Accounts Receivable

(1) 65,000 (2) 3,500 (5) 23,500 (7) 22,500

(7) 22,500 (3) 1,950 Bal 1,000

(4) 2,225

(6) 8,000

(8) 10,500

Bal. 61,325

Supplies Equipment

(3) 1,950 (2) 23,500

J. Beam, Capital Tour Revenue

(1) 65,000 (5) 23,500

Accounts Payable J. Beam, Drawings

(6) 8,000 (2) 20,000 (8) 10,500

Salaries Expense

(4) 2,225

**Instructions**

a) For each transaction, journalize the transaction, including an explanation for the entry.

b) Determine the ending account balance for each account.

c) Prepare a trial balance as at December 31, 2021.

Solution 33 (20 min.)

a)

1. Cash 65,000

J. Beam, Capital 65,000

J. Beam invested cash in the business

2. Equipment 23,500

Cash 3,500

Accounts payable 20,000

Purchased equipment for cash and accounts payable

3. Supplies 1,950

Cash 1,950

Purchased supplies for cash

4. Salaries expense 2,225

Cash 2,225

Paid salaries to employees

5. Accounts receivable 23,500

Tour revenue 23,500

Issued invoices for tours conducted in December

6. Accounts payable 8,000

Cash 8,000

Made partial payment on accounts payable

7. Cash 22,500

Accounts receivable 22,500

Collections from customers

8. J. Beam, Drawings 10,500

Cash 10,500

Cash withdrawn by J. Beam for personal use

b)

Cash Accounts Receivable

(1) 65,000 (2) 3,500 (5) 23,500 (7) 22,500

(7) 22,500 (3) 1,950 1,000

(4) 2,225

(6) 8,000

(8) 10,500

61,325

Supplies Equipment

(3) 1,950 (2) 23,500

J. Beam, Capital Tour Revenue

(1) 65,000 (5) 23,500

Accounts Payable J. Beam, Drawings

(6) 8,000 (2) 20,000 (8) 10,500

12,000

Salaries Expense

(4) 2,225

c)

**Beam’s Mountain Tours**

**Trial Balance**

**December 31, 2021**

Debit Credit

Cash $61,325

Accounts receivable 1,000

Supplies 1,950

Equipment 23,500

Accounts payable $ 12,000

J. Beam, capital 65,000

J. Beam, drawings 10,500

Tour revenue 23,500

Salaries expense 2,225 \_\_\_\_\_\_\_\_

Totals $100,500 $100,500

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Learning Objective: Prepare a trial balance.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

Section Reference: The Trial Balance

CPA: Financial Reporting

ACSB: Analytic

Exercise 34

Pat’s Party Planning provides food service and bartending for private and corporate parties. Pat’s does not prepare the food, but does provide supplies such as dishes, linens, and ice for the event. The following transactions occurred in December 2021, the first month of the business operations:

Dec 1 Patty Peppermint invested $18,000 in the business.

Dec 3 Business purchased a used delivery van for $6,500 on account.

Dec 5 Purchased supplies for cash $1,300.

Dec 7 Signed contract to provide services at a party to be held in January. Received a deposit of $750 from the customer.

Dec 8 Provide services for a corporate party. Received full payment in the amount of $2,100.

Dec 10 Paid the staff who worked at the December 8 party $900 in wages.

Dec 14 Provides services for a private party. Issued an invoice for $1,500 to the customer who will pay in January.

Dec 18 Paid $325 for an advertisement in the local newspaper. The ad began running every day for a week starting December 10.

Dec 23 Patty Peppermint withdrew $600 for personal use.

Dec 31 Paid for a one-year insurance policy on the delivery van for $1,800, effective Jan 1 to Dec 31, 2022.

**Instructions**

a) Prepare the journal entries for the above transactions. Explanations are not necessary.

b) Prepare a trial balance at December 31, 2021 based on the above accounts.

**Solution 34** (25 min.)

a)

Dec 1 Cash 18,000

P. Peppermint, Capital 18,000

3 Van 6,500

Accounts Payable 6,500

5 Supplies 1,300

Cash 1300

7 Cash 750

Unearned Revenue 750

8 Cash 2,100

Service Revenue 2,100

10 Wages Expense 900

Cash 900

14 Accounts Receivable 1,500

Service Revenues 1,500

18 Advertising Expense 325

Cash 325

23 P. Peppermint, Drawings 600

Cash 600

31 Prepaid insurance 1,800

Cash 1,800

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | | | |  | Accounts Receivable | | | |
| Acct type: Asset | | | |  | Acct type: Asset | | | |
| (1) | 18,000 | (3) | 1,300 |  | (7) | 1,500 |  |  |
| (4) | 750 | (6) | 900 |  |  |  |  |  |
| (5) | 2,100 | (8) | 325 |  |  |  |  |  |
|  |  | (9) | 600 |  |  |  |  |  |
|  |  | (10) | 1,800 |  |  |  |  |  |
|  | 15,925 |  |  |  |  |  |  |  |
| Van | | | |  | Supplies | | | |
| Acct type: Asset | | | |  | Acct type: Asset | | | |
| (2) | 6,500 |  |  |  | (3) | 1,300 |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Prepaid Insurance | | | |  | Unearned Revenue | | | |
| Acct type: Asset | | | |  | Acct type: Liabilities | | | |
| (10) | 1,800 |  |  |  |  |  | (4) | 750 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Accounts Payable | | | |  | P. Peppermint, Capital | | | |
| Acct type: Liabilities | | | |  | Acct type: Owner’s Equity | | | |
|  |  | (2) | 6,500 |  |  |  | (1) | 18,000 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| P. Peppermint, Drawings | | | |  | Service Revenue | | | |
| Acct type: Owner’s Equity | | | |  | Acct type: Owner’s Equity | | | |
| (9) | 600 |  |  |  |  |  | (5) | 2,100 |
|  |  |  |  |  |  |  | (7) | 1,500 |
|  |  |  |  |  |  |  |  | 3,600 |
|  |  |  |  |  |  |  |  |  |
| Wages Expense | | | |  | Advertising Expense | | | |
| Acct type: Owner’s Equity | | | |  | Acct type: Owner’s Equity | | | |
| (6) | 900 |  |  |  | (8) | 325 |  |  |
|  |  |  |  |  |  |  |  |  |

b)

**Pat’s Party Planning**

**Trial Balance**

**December 31, 2021**

Debit Credit

Cash $ 15,925

Accounts receivable 1,500

Supplies 1,300

Prepaid insurance 1,800

Van 6,500

Accounts payable $ 6,500

Unearned revenue 750

P. Peppermint, capital 18,000

P. Peppermint, drawings 600

Service revenue 3,600

Wages expense 900

Advertising expense 325 \_\_\_\_\_\_\_

Totals $28,850 $28,850

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Learning Objective: Prepare a trial balance.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

**Exercise 35**

Listed below are the transactions for August 2021, the first month of operations of Sassy’s Pet Grooming, owned and operated by Sassy Jordan.

Aug 1 Sassy invested $5,000 in the business, which was comprised of $3,500 in cash plus equipment valued at $1,500.

Aug 3 Paid rent of $400 for one month’s rent.

Aug 3 Hired a salesperson who will be paid on commission.

Aug 4 Purchases supplies on account for $125.

Aug 12 Purchased a used van for $6,000, paying cash of $1,000 and signing a 1 year, 6% note payable for the balance.

Aug 15 Completed services for clients. Of the services completed, $350 was paid in cash, and the remainder of $500 was on account.

Aug 18 Paid telephone expense of $60.

Aug 26 Received a utility bill for August of $110.

Aug 27 Collected $250 of the accounts receivable balance.

Aug 29 Billed clients for $400 in services.

Aug 30 Paid an assistant $225 in wages.

Aug 30 Sassy Jordan withdrew $500 for personal use.

##### Instructions

a) Journalize the transactions.

b) Prepare a trial balance at August 31, 2021. Hint: You may want to use T accounts.

**Solution 35** (30 min.)

a)

Aug 1 Cash 3,500

Equipment 1,500

S. Jordan, Capital 5,000

Aug 3 Rent Expense 400

Cash 400

Aug 3 No transaction

Aug 4 Supplies 125

Accounts Payable 125

Aug 12 Automobile 6,000

Cash 1,000

Note Payable 5,000

Aug 15 Cash 350

Accounts Receivable 500

Service Revenue 850

Aug 18 Telephone Expense 60

Cash 60

Aug 26 Utilities Expense 110

Accounts Payable 110

Aug 27 Cash 250

Accounts Receivable 250

Aug 29 Accounts Receivable 400

Service Revenue 400

Aug 30 Wages Expense 225

Cash 225

Aug 30 S. Jordan, Drawings 500

Cash 500

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | | | |  | Accounts Receivable | | | |
| 8/1 | 3,500 | 8/3 | 400 |  | 8/15 | 500 | 8/27 | 250 |
| 8/15 | 350 | 8/12 | 1,000 |  | 8/29 | 400 |  |  |
| 8/27 | 250 | 8/18 | 60 |  | 8/31 | bal 650 |  |  |
|  |  | 8/30 | 225 |  |  |  |  |  |
|  |  | 8/30 | 500 |  |  |  |  |  |
| 8/31 | bal 1,915 |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supplies | | | |  | Equipment | | | |
| 8/4 | 125 |  |  |  | 8/1 | 1,500 |  |  |
| 8/31 | bal 125 |  |  |  | 8/31 | bal 1,500 |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Automobile | | | |  | Accounts Payable | | | |
| 8/ 12 | 6,000 |  |  |  |  |  | 8/4 | 125 |
| 8/31 | bal 6,000 |  |  |  |  |  | 8/26 | 110 |
|  |  |  |  |  |  |  | 8/31 | bal 235 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Note Payable | | | |  | S. Jordan, Capital | | | |
|  |  | 8/12 | 5,000 |  |  |  | 8/1 | 5,000 |
|  |  | 8/31 | bal 5,000 |  |  |  | 8/31 | bal 5,000 |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S. Jordan, Drawings | | | |  | Service Revenue | | | |
| 8/30 | 500 |  |  |  |  |  | 8/15 | 850 |
| 8/31 | bal 500 |  |  |  |  |  | 8/29 | 400 |
|  |  |  |  |  |  |  | 8/31 | bal 1,250 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Rent Expense | | | |  | Telephone Expense | | | |
| 8/3 | 400 |  |  |  | 8/18 | 60 |  |  |
| 8/31 | bal 400 |  |  |  | 8/31 | bal 60 |  |  |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Utilities Expense | | | |  | Wages Expense | | | |
| 8/26 | 110 |  |  |  | 8/30 | 225 |  |  |
| 8/31 | bal 110 |  |  |  | 8/31 | bal 225 |  |  |
|  |  |  |  |  |  |  |  |  |

b)

**Sassy’s Pet Grooming**

**Trial Balance**

**August 31, 2021**

Debit Credit

Cash $ 1,915

Accounts receivable 650

Supplies 125

Equipment 1,500

Automobile 6,000

Accounts payable $ 235

Note payable 5,000

S. Jordan, capital 5,000

P. Markham, drawings 500

Service revenue 1,250

Rent expense 400

Telephone expense 60

Utilities expense 110

Wages expense 225 \_\_\_\_\_\_\_

Total $11,485 $11,485

Bloomcode: Application

Difficulty: Medium

Learning Objective: State how a journal is used in the recording process and journalize transactions.

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Learning Objective: Prepare a trial balance.

Section Reference: Analyzing and Recording Transactions

Section Reference: The Ledger

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 36

Jean Corriveau Company is a newly organized business. The list of accounts to be opened in the general ledger is as follows:

Accounts Payable J. Corriveau, Drawings

Accounts Receivable Prepaid Insurance

Cash Prepaid Rent

Equipment Rent Expense

Service Revenue Salary Expense

Insurance Expense Salaries Payable

J. Corriveau, Capital Supplies

Supplies Expense

Organize the accounts into the order in which they should appear in the ledger of Jean Corriveau Company and assign account numbers. Use the following system to assign account numbers.

100–199 Assets

200–299 Liabilities

300–399 Owner's Equity

400–499 Revenues

500–599 Expenses

##### Solution 36 (5 min.)

There are several possible correct account number assignments. The following is one of the correct solutions.

101 Cash

112 Accounts Receivable

113 Supplies

114 Prepaid Insurance

115 Prepaid Rent

160 Equipment

210 Accounts Payable

220 Salaries Payable

310 J. Corriveau, Capital

320 J. Corriveau, Drawings

410 Service Revenue

510 Salary Expense

520 Supplies Expense

530 Rent Expense

540 Insurance Expense

Bloomcode: Comprehension

Difficulty: Easy

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Section Reference: The Ledger

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 37

The transactions of Coronation Baked Goods Delivery are recorded in the general journal below.

General Journal J1

——————————————————————————————————————————

Date Account Titles and Explanation Ref. Debit Credit

——————————————————————————————————————————

2021

Sep 1 Cash 15,000

M. Donut, Capital 15,000

Invested cash in business

4 Delivery Trucks 30,000

Cash 10,000

Notes Payable 20,000

Purchased truck, paid cash, and issued a 2-year, 6%, note payable

8 Rent Expense 1,000

Cash 1,000

Paid September rent

15 Prepaid Insurance 400

Cash 400

Paid one-year liability insurance

18 Cash 2,500

Baked Goods Delivery Revenue 2,500

Received cash for delivery services

20 Salaries Expense 500

Cash 500

Paid salaries for current period

25 Utility Expense 100

Accounts Payable 100

Received a bill for September utilities

30 M. Donut, Drawings 750

Cash 750

Withdrew cash for personal use

30 Accounts Receivable 1,000

Baked Goods Delivery Revenue 1,000

Billed customer for delivery service

**Instructions**

a) Post the journal entries to the accounts using the following general ledger.

b) Prepare a trial balance on the form provided.

General Ledger

Cash Account No. 100

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Accounts Receivable Account No. 105

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Prepaid Insurance Account No. 110

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Delivery Trucks Account No. 150

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Accounts Payable Account No. 200

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Notes Payable Account No. 250

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

M. Donut, Capital Account No. 300

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

M. Donut, Drawings Account No. 350

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Baked Goods Delivery Revenue Account No. 400

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Rent Expense Account No. 520

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Salaries Expense Account No. 530

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

Utility Expense Account No. 550

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

**CORONATION BAKED GOODS DELIVERY**

**Trial Balance**

**September 30, 2021**

——————————————————————————————————————————

Accounts Debit Credit

——————————————————————————————————————————

##### Solution 37 (25 min.)

a)

General Ledger

Cash Account No. 100

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 1 J1 15,000 15,000

4 J1 10,000 5,000

8 J1 1,000 4,000

15 J1 400 3,600

18 J1 2,500 6,100

20 J1 500 5,600

30 J1 750 4,850

Accounts Receivable Account No. 105

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 30 J1 1,000 1,000

Prepaid Insurance Account No. 110

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 15 J1 400 400

Delivery Trucks Account No. 150

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 4 J1 30,000 30,000

Accounts Payable Account No. 200

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 25 J1 100 100

Notes Payable Account No. 250

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 4 J1 20,000 20,000

M. Donut, Capital Account No. 300

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 1 J1 15,000 15,000

M. Donut, Drawings Account No. 350

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 30 J1 750 750

Baked Goods Delivery Revenue Account No. 400

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 18 J1 2,500 2,500

30 J1 1,000 3,500

Rent Expense Account No. 520

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 8 J1 1,000 1,000

Salaries Expense Account No. 530

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 20 J1 500 500

Utility Expense Account No. 550

——————————————————————————————————————————

Date Explanation Ref. Debit Credit Balance

——————————————————————————————————————————

2021

Sep 25 J1 100 100

b)

**Coronation Baked Goods Delivery**

**Trial Balance**

**September 30, 2021**

——————————————————————————————————————————

Accounts Debit Credit

——————————————————————————————————————————

Cash $ 4,850

Accounts receivable 1,000

Prepaid insurance 400

Delivery trucks 30,000

Accounts payable $ 100

Notes payable 20,000

M. Donut, capital 15,000

M. Donut, drawings 750

Baked goods delivery revenue 3,500

Rent expense 1,000

Salaries expense 500

Utility expense …100

Totals $38,600 $38,600

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Learning Objective: Prepare a trial balance.

Section Reference: The Ledger

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

Exercise 38

The transactions of Make it Quick Delivery Service are recorded in the general journal below.

General Journal

Date Account Titles and Explanation Debit Credit

2021

Sep 1 Cash 25,000

J. Lough, Capital 25,000

Owner invested cash in business

4 Delivery Trucks 40,000

Cash 10,000

Notes Payable 30,000

Purchased truck, paid cash, and issued 2-year, 6% note payable

8 Rent Expense 1,000

Cash 1,000

Paid September rent

15 Prepaid Insurance 1,400

Cash 1,400

Paid one-year liability insurance

18 Cash 2,500

Service Revenue 2,500

Received cash for delivery services

20 Salaries Expense 500

Cash 500

Paid salaries for current period

25 Utility Expense 100

Accounts Payable 100

Received a bill for September utilities

30 J. Lough, Drawings 750

Cash 750

Paid drawings to owner

30 Accounts Receivable 1,000

Service Revenue 1,000

Billed customer for delivery service

Instructions

a) Post the journal entries to the accounts in the general ledger below.

b) Prepare a trial balance on the form provided.

a)

General Ledger

Cash Accounts Receivable

Prepaid Insurance Delivery Trucks

Accounts Payable Notes Payable

J. Lough, Capital J. Lough, Drawings

Service Revenue Rent Expense

Salaries Expense Utility Expense

b)

**MAKE IT QUICK DELIVERY SERVICE**

**Trial Balance**

**September 30, 2021**

Accounts Debit Credit

Solution 38 (25 min.)

###### a) General Ledger

Cash Accounts Receivable

9/1 25,000 9/4 10,000 9/30 1,000

9/18 2,500 9/8 1,000

9/15 1,400

9/20 500

9/30 750

9/30 Bal. 13,850 9/30 Bal. 1,000

Prepaid Insurance Delivery Trucks

9/15 1,400 9/4 40,000

9/30 Bal. 1,400 9/30 Bal. 40,000

Accounts Payable Notes Payable

9/25 100 9/4 30,000

9/30 Bal. 100 9/30 Bal. 30,000

J. Lough, Capital J. Lough, Drawings

9/1 25,000 9/30 750

9/30 Bal. 25,000 9/30 Bal. 750

Service Revenue Rent Expense

9/18 2,500 9/8 1,000

9/30 1,000

9/30 Bal. 3,500 9/30 Bal. 1,000

Salaries Expense Utility Expense

9/20 500 9/25 100

9/30 Bal. 500 9/30 Bal. 100

b)

**MAKE IT QUICK DELIVERY SERVICE**

**Trial Balance**

**September 30, 2021**

Accounts Debit Credit

Cash $ 13,850

Accounts receivable 1,000

Prepaid insurance 1,400

Delivery trucks 40,000

Accounts payable $ 100

Notes payable 30,000

J. Lough, capital 25,000

J. Lough, drawings 750

Service revenue 3,500

Rent expense 1,000

Salaries expense 500

Utility expense 100

Totals $58,600 $58,600

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain how a ledger helps in the recording process and post transactions.

Learning Objective: Prepare a trial balance.

Section Reference: The Ledger

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 39

The trial balance of P. Heavy Record Company shown below does not balance.

**P. HEAVY RECORD COMPANY**

**Trial Balance**

**June 30, 2021**

Debit Credit

Cash $ 2,600

Accounts receivable 7,600

Supplies 600

Equipment 8,300

Accounts payable $ 9,766

P. Heavy, capital 1,941

P. Heavy, drawings 1,500

Service revenue 15,200

Wages expense 3,800

Repair expense 1,600

Totals $26,000 $26,907

An examination of the ledger and journal reveals the following errors:

1. Each of the above listed accounts has a normal balance per the general ledger.

2. Cash of $350 received from a customer on account was debited to Cash $530 and credited to Accounts Receivable $530.

3. A withdrawal of $300 by the owner was posted as a credit to P. Heavy, Drawings, $300 and credit to Cash $300.

4. A debit of $300 was not posted to Wages Expense.

5. The purchase of equipment on account for $700 was recorded as a debit to Repair Expense and a credit to Accounts Payable for $700.

6. Services were performed on account for a customer, $510, for which Accounts Receivable was debited $510 and Service Revenue was credited $51.

7. A payment on account for $215 was credited to Cash for $215 and credited to Accounts Payable for $251.

**Instructions**

Prepare a correct trial balance.

##### Solution 39 (25 min.)

**P. HEAVY RECORD COMPANY**

**Trial Balance**

**June 30, 2021**

Debit Credit

Cash [$2,600 – $180 (2)] $ 2,420

Accounts receivable [$7,600 + $180 (2)] 7,780

Supplies 600

Equipment [$8,300 + $700 (5)] 9,000

Accounts payable [$9,766 – $251 – $215(7)] $ 9,300

P. Heavy, capital 1,941

P. Heavy, drawings [$1,500 + $300 + $300 (3)] 2,100

Service revenue [$15,200 + $459 (6)] 15,659

Wages expense [$3,800 + $300 (4)] 4,100

Repair expense [$1,600 – $700 (5)] 900 \_\_\_\_\_\_\_

Totals $26,900 $26,900

Bloomcode: Application

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 40

The ledger accounts of Honolulu Lemon Gym at June 30, 2021 are shown below:

Accounts Payable $ 6,100

Accounts Receivable 1,050

Building 51,400

S. Khan, Capital 63,100

Cash 12,000

Exercise Equipment 18,900

Weight Equipment 22,000

Notes Payable 49,000

Office Supplies 350

Office Equipment 2,000

S. Khan, Drawings 10,500

**Instructions**

Prepare a trial balance with the ledger accounts arranged in the proper financial statement order. Include the appropriate heading. All accounts have normal balances.

##### Solution 40 (10 min.)

**HONOLULU LEMON GYM**

**Trial Balance**

**June 30, 2021**

Debit Credit

Cash $ 12,000

Accounts Receivable 1,050

Office Supplies 350

Office Equipment 2,000

Exercise Equipment 18,900

Weight Equipment 22,000

Building 51,400

Accounts Payable $ 6,100

Notes Payable 49,000

S. Khan, Capital 63,100

S. Khan, Drawings 10,500 \_\_\_\_\_\_\_\_

Totals $118,200 $118,200

Bloomcode: Application

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 41

Archie and Associates is a financial planning service. The account balances at July 31, 2021 are shown by the following alphabetical list:

Accounts Payable $ 8,000

Accounts Receivable 41,000

Automobiles 27,500

Building 120,000

Cash 48,500

Computer Hardware 30,000

Computer Software 4,200

Land 42,000

M. Archie, Capital 199,700

Notes Payable 75,000

Notes Receivable 8,100

Office Furniture 15,400

Office Supplies 1,800

Technical Library 2,200

Service Revenue 60,000

Wage Expense 2,000

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order. All accounts have normal balances.

##### Solution 41 (15 min.)

**ARCHIE AND ASSOCIATES**

**Trial Balance**

**July 31, 2021**

Debit Credit

Cash $ 48,500

Accounts receivable 41,000

Office supplies 1,800

Notes receivable 8,100

Computer software 4,200

Computer hardware 30,000

Technical library 2,200

Office furniture 15,400

Automobiles 27,500

Building 120,000

Land 42,000

Accounts payable $ 8,000

Notes payable 75,000

M. Archie, capital 199,700

Service revenue 60,000

Wage expense 2,000

Totals $342,700 $342,700

Bloomcode: Application

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

**Exercise 42**

Laurence and Associates is an accounting practice. The account balances at December 31, 2021, are shown by the following alphabetical list:

A. Laurence , Capital $64,700

A. Laurence, Drawings 40,000

Accounts Payable 13,800

Accounts Receivable 26,000

Automobiles 29,500

Cash 18,500

Computer Hardware 29,000

Service Revenue 105,000

Notes Payable 55,000

Notes Receivable 19,100

Office Furniture 35,400

Office Supplies 800

Rent Expense 12,000

Salaries Expense 25,000

Technical Library 3,200

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order.

Solution 42 (15 min.)

**LAURENCE AND ASSOCIATES**

**Trial Balance**

**December 31, 2021**

Debit Credit

Cash $ 18,500

Accounts receivable 26,000

Notes receivable 19,100

Office supplies 800

Computer hardware 29,000

Office furniture 35,400

Technical library 3,200

Automobiles 29,500

Accounts payable $ 13,800

Notes payable 55,000

A. Laurence, capital 64,700

A. Laurence, drawings 40,000

Service Revenue 105,000

Rent expense 12,000

Salaries expense 25,000 \_\_\_\_\_\_\_\_

Totals $238,500 $238,500

Bloomcode: Application

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

**Exercise 43**

Kali’s Courier Service has the following account balances at the July 31, 2021 year end. The accounts all have normal balances and are shown in the following alphabetical list:

Accounts Payable $10,800

Accounts Receivable 21,500

Cash 10,200

Courier Vehicles 60,000

Delivery Revenue 85,000

Insurance Expense 2,400

R. Kali, Capital Account 39,800

R. Kali, Drawings 25,000

Notes Payable 42,500

Notes Receivable 1,800

Office Furniture 5,500

Prepaid Insurance 1,200

Rent Expense 12,500

Salaries Expense 30,500

Supplies 1,000

Supplies Expense 10,000

Unearned Revenue 3,500

**Instructions**

Prepare a trial balance with the accounts arranged in financial statement order.

Solution 43 (15 min.)

**Kali’s Courier Service**

**Trial Balance**

**July 31, 2021**

Debit Credit

Cash $ 10,200

Accounts receivable 21,500

Notes receivable 1,800

Supplies 1,000

Prepaid insurance 1,200

Office furniture 5,500

Courier vehicles 60,000

Accounts payable $ 10,800

Unearned revenues……………………………………………………. 3,500

Notes payable 42,500

R. Kali, capital 39,800

R. Kali, drawings 25,000

Delivery revenue 85,000

Rent expense 12,500

Supplies expense 10,000

Insurance expense 2,400

Salaries expense 30,500 \_\_\_\_\_\_\_\_

Totals $181,600 $181,600

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 44

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals. For each of the six cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be considered independently of the others.

1. A payment of $600 to a creditor was recorded by a debit to Accounts Payable of $60 and a credit to Cash of $600.

2. A $480 payment for a printer was recorded by a debit to Computer Equipment of $48 and a credit to Cash for $48.

3. An account receivable in the amount of $2,000 was collected in full. The collection was recorded by a credit to Cash for $2,000 and a credit to Accounts Receivable for $2,000.

4. An owner’s drawing was paid by issuing a cheque for $1,000. The payment was recorded by debiting Salaries Expense $1,000 and crediting Cash $1,000.

5. A payment of $600 from a customer on account was received and was credited to Cash and debited to Accounts Receivable.

6. A payment of $450 to a creditor was recorded as a debit to Cash and a credit to Accounts Payable.

##### Solution 44 (5 min.)

1. The trial balance totals will be unequal. The credit column will be $540 larger than the debit column.

2. The trial balance will be incorrect but the totals will be equal.

3. The trial balance totals will be unequal. The credit column will be $4,000 larger than the debit column.

4. The trial balance will be incorrect but the totals will be equal.

5. The trial balance will be incorrect but the totals will be equal.

6. The trial balance will be incorrect but the totals will be equal.

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

**Exercise 45**

Some of the following errors would cause the debit and credit columns of the trial balance to have unequal totals.

1. A payment of $700 to a creditor was recorded by a debit to Accounts Payable of $70 and a credit to Cash of $700.

2. A $340 payment for a printer was recorded by a debit to Computer Equipment of $34 and a credit to Cash for $34.

3. An account receivable in the amount of $2,000 was collected in full. The collection was recorded by a debit to Cash for $2,000 and a debit to Accounts Payable for $2,000.

4. An account payable was paid by issuing a cheque for $800. The payment was recorded by a debit to Accounts Payable of $800 and a credit to Accounts Receivable of $800.

**Instructions**

For each of the four cases, state whether the error would cause unequal totals in the trial balance. If the error causes unequal totals, indicate the amount of difference between the columns and state whether the debit or credit is larger. Each case is to be considered independently of the others.

Solution 45 (5 min.)

1. The trial balance totals will be unequal. The credit column will be $630 larger than the debit column.

2. The trial balance will be incorrect but the totals will be equal.

3. The trial balance totals will be unequal. The debit column will be $4,000 larger than the credit column.

4. The trial balance will be incorrect but the totals will be equal.

Bloomcode: Analysis

Difficulty: Medium

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

##### Exercise 46

The bookkeeper for EverGreen Environmental Services made a number of errors in journalizing and posting as described below:

1. A debit posting to accounts receivable for $500 was omitted.

2. A payment of accounts payable for $600 was credited to cash and debited to accounts receivable.

3. A credit to accounts receivable for $750 was posted as $75.

4. A cash purchase of equipment for $673 was journalized as a debit to equipment and a credit to notes payable. The credit posting was made for $637.

5. A debit posting of $300 for purchase of supplies was credited to supplies.

6. A debit to repairs expense for $482 was posted as $428.

7. A debit posting for wages expense for $800 was made twice.

8. A cash purchase of supplies for $700 was journalized and posted as a debit to supplies for $70 and a credit to cash for $70.

**Instructions**

For each error, indicate (A) whether the trial balance will balance; if the trial balance will not balance, indicate (B) the amount of the difference, and (C) the trial balance column that will have the larger total. Consider each error separately. Use the following form, in which error 1. is given as an example.

(A) (B) (C)

Error In Balance Difference Larger Column

1. No $500 Credit

##### Solution 46 (15 min.)

(A) (B) (C)

Error In Balance Difference Larger Column

1. No $500 Credit

2. Yes — —

3. No 675 Debit

4. No 36 Debit

5. No 600 Credit

6. No 54 Credit

7. No 800 Debit

8. Yes — —

Bloomcode: Evaluation

Difficulty: Hard

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

**Exercise 42**

The trial balance of Karl’s Concrete Services shown below does not balance.

**Karl’s Concrete Services**

**Trial Balance**

**June 30, 2021**

Debit Credit

Cash $ 5,200

Accounts receivable 15,200

Supplies 1,200

Equipment 16,600

Accounts payable $ 19,610

K. Bruce, capital 3,882

K. Bruce, drawings 3,000

Service revenue 30,400

Wages expense 7,600

Repair expense 3,200 \_\_\_\_\_\_\_

Totals $52,000 $53,892

An examination of the ledger and journal reveals the following errors:

1. Each of the above listed accounts has a normal balance per the general ledger.

2. Cash of $260 received from a customer on account was debited to Cash $620 and credited to Accounts Receivable $620.

3. Drawings of $850 paid to the owner were posted as a credit to Drawings $850 and a credit to Cash $850.

4. Wages Expense of $600 was omitted from the trial balance.

5. The purchase of equipment on account for $800 was recorded as a debit to Repair Expense and a credit to Accounts Payable for $800.

6. Services were performed on account for a customer, $1,020, for which Accounts Receivable was debited $1,020 and Service Revenue was credited $102.

7. A payment on account for $219 was credited to Cash for $219 and credited to Accounts Payable for $291.

**Instructions**

Prepare a correct trial balance.

Solution 42 (25 min.)

**Karl’s Concrete Services**

**Trial Balance**

**June 30, 2021**

Debit Credit

Cash [$5,200 – $360 (2)] $ 4,840

Accounts receivable [$15,200 + $360 (2)] 15,560

Supplies 1,200

Equipment [$16,600 + $800 (5)] 17,400

Accounts payable [$19,610 – $291 – $219 (7)] $19,100

K. Bruce, capital 3,882

K. Bruce, drawings [$3,000 + $850 + $850 (3)] 4,700

Service revenue [$30,400 + $918 (6)] 31,318

Wages expense [$7,600 + $600 (4)] 8,200

Repair expense [$3,200 – $800 (5)] 2,400 \_\_\_\_\_\_\_

Totals $54,300 $54,300

Bloomcode: Evaluation

Difficulty: Hard

Learning Objective: Prepare a trial balance.

Section Reference: The Trial Balance

CPA: Financial Reporting

AACSB: Analytic

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