Horngrens Accounting The Financial Chapters 11th edition Miller-Nobles Solutions Manual

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Chapter 2
Recording Business Transactions

Review Questions

1. The three categories of the accounting equation are assets, liabilities, and equity. Assets include Cash, Accounts Receivable, Notes Receivable, Prepaid Expenses, Land, Building, Equipment, Furniture, and Fixtures. Liabilities include Accounts Payable, Notes Payable, Accrued Liability, and Unearned Revenue. Equity includes Owner, Capital; Owner, Withdrawals; Revenue; and Expenses.

2. Companies need a way to organize their accounts so they use a chart of accounts. Accounts starting with 1 are usually Assets, 2 – Liabilities, 3 – Equity, 4 – Revenues, and 5 – Expenses. The second and third digits in account numbers indicate where the account fits within the category.

3. A chart of accounts and a ledger are similar in that they both list the account names and account numbers of the business. A ledger, though, provides more detail. It includes the increases and decreases of each account for a specific period and the balance of each account at a specific point in time.

4. With a double-entry you need to record the dual effects of each transaction. Every transaction affects at least two accounts.

5. A T-account is a shortened form of each account in the ledger. The debit is on the left side, credit on the right side, and the account name is shown on top.

6. Debits are increases for assets, owner's withdrawals, and expenses. Debits are decreases for liabilities, owner's capital, and revenue.

7. Credits are increases for liabilities, owner's capital, and revenue. Credits are decreases for assets, owner's withdrawals, and expenses.

8. Assets, owner's withdrawals, and expenses have a normal debit balance. Liabilities, owner's capital, and revenue have a normal credit balance.

9. Source documents provide the evidence and data for accounting transactions. Examples of source documents a business would have are: bank deposit slips, purchase invoices, bank checks, and sales invoices

10. Transactions are first recorded in a journal, which is the record of transactions in date order.

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11. Step 1: Identify the accounts and the account type. You need this information before you can complete the next step. Step 2: Decide if each account increases or decreases, then apply the rules of debits and credits. Reviewing the rules of debits and credits, we use the accounting equation to help determine debits and credits for each account. Step 3: Record transactions in the journal using journal entries. Step 4: Post the journal entry to the ledger. When journal entries are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns to the specific accounts in the ledger. The date on the journal entry should also be transferred to the accounts in the ledger. Step 5: Determine whether the accounting equation is in balance. After each entry the accounting equation should always be in balance.

12. Part 1: Date of the transaction. Part 2: Debit account name and dollar amount. Part 3: Credit account name and dollar amount. The credit account name is indented. Part 4: Brief explanation.

13. When transactions are posted from the journal to the ledger, the dollar amount is transferred from the debit and credit columns to the specific accounts in the ledger. The date of the journal entry is also transferred to the accounts in the ledger. The posting reference columns in the journal and ledger are also completed. In a computerized system, this step is completed automatically when the transaction is recorded in the journal.

14. The trial balance is used to prove the equality of total debits and total credits of all accounts in the ledger; it is also used to prepare the financial statements.

15. A trial balance verifies the equality of total debits and total credits of all accounts on the trial balance and is an internal document used only by employees of the company. The balance sheet, on the other hand, presents the business's accounting equation and is a financial statement that can be used by both internal and external users.

16. If total debits equal total credits on the trial balance, it does not mean that the trial balance is error-free. An incorrect amount could have been used, an entry could have been completely missed, or the wrong account title could have been debited or credited.

17. The debt ratio is calculated by dividing total liabilities by total assets and shows the proportion of assets financed with debt. It can be used to evaluate a business's ability to pay its debts.

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Short Exercises

S2-1

a. Notes Receivable **(A)**
b. New, Capital **(E)**
c. Prepaid Insurance **(A)**
d. Notes Payable **(L)**
e. Rent Revenue **(E)**
f. Taxes Payable **(L)**
g. Rent Expense **(E)**
h. Furniture **(A)**
i. New, Withdrawals **(E)**
j. Unearned Revenue **(L)**

S2-2

a. Increase to Accounts Receivable **(DR)**
b. Decrease to Unearned Revenue **(DR)**
c. Decrease to Cash **(CR)**
d. Increase to Interest Expense **(DR)**
e. Increase to Salaries Payable **(CR)**
f. Decrease to Prepaid Rent **(CR)**
g. Increase to Perry, Capital **(CR)**
h. Increase to Notes Receivable **(DR)**
i. Decrease to Accounts Payable **(DR)**
j. Increase to Interest Revenue **(CR)**

S2-3

a. Notes Payable **(CR)**
b. Hernandez, Withdrawals **(DR)**
c. Service Revenue **(CR)**
d. Land **(DR)**
e. Unearned Revenue **(CR)**
f. Hernandez, Capital **(CR)**
g. Utilities Expense **(DR)**
h. Office Supplies **(DR)**
i. Advertising Expense **(DR)**
j. Interest Payable **(CR)**

S2-4

Date	Accounts and Explanation	Debit	Credit
Jan. 1	Cash	35,000	
	Davis, Capital		35,000
	Owner contribution.		
2	Medical Supplies	13,000	
	Accounts Payable		13,000
	Purchased medical supplies on account.		
4	Cash	1,900	
	Service Revenue		1,900
	Performed services for patients.		
12	Rent Expense	2,600	
	Cash		2,600
	Paid rent with cash.		
15	Accounts Receivable	10,000	
	Service Revenue		10,000
	Performed services for patients on account.		

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S2-5

Date	Accounts and Explanation	Debit	Credit
Jan. 22	Accounts Receivable	9,000	
	Service Revenue		9,000
	Performed services for customers on account.		
30	Cash	7,000	
	Accounts Receivable		7,000
	Received cash on account from customers.		
31	Utilities Expense	210	
	Utilities Payable		210
	Received a utility bill due in February.		
31	Salaries Expense	2,400	
	Cash		2,400
	Paid monthly salary to salesman.		
31	Cash	2,475	
	Unearned Revenue		2,475
	Received cash for 3 months consulting services in advance.		
31	Henry, Withdrawals	900	
	Cash		900
	Owner withdrawal.		

S2-6

Accounts Payable

May 2	6,000	14,000	May 1
May 22	12,000	1,000	May 5
		7,000	May 15
		500	May 23
		4,500	Bal.

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S2-7
Requirement 1

Date	Accounts and Explanation	Debit	Credit
Mar. 15	Office Supplies	2,600	
	Accounts Payable		2,600
	Purchased office supplies on account.		
28	Accounts Payable	1,300	
	Cash		1,300
	Paid cash on account.		

Requirement 2

Cash

Bal.	23,000	1,300	Mar. 28
Bal.	21,700		

Accounts Payable

Mar. 28	1,300	2,600	Mar. 15
		1,300	Bal.

Office Supplies

Mar. 15	2,600	
Bal.	2,600	

S2-8

HENDERSON FLOOR COVERINGS
Trial Balance
December 31, 2016

Account Title	Balance	
	Debit	Credit
Cash	$ 12,000	
Accounts Receivable	4,000	
Equipment	45,000	
Accounts Payable		$ 1,500
Salaries Payable		15,000
Interest Payable		7,500
Henderson, Capital		25,000
Henderson, Withdrawals	12,900	
Service Revenue		38,000
Rent Expense	10,000	
Salaries Expense	1,800	
Utilities Expense	1,300	
Total	**$ 87,000**	**$ 87,000**

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S2-9

Debt ratio = Total liabilities / Total assets = $60,000 / $240,000 = 0.25 = 25%

Exercises

E2-10

1. g
2. a
3. e
4. d
5. j
6. i
7. f
8. b
9. h
10. c

E2-11

<table>
<tr><td>Assets</td><td>Equity</td></tr>
<tr><td rowspan="2">100 – Cash
110 – Automotive Supplies
120 – Equipment</td><td>300 – Raymond, Capital
310 – Raymond, Withdrawals</td></tr>
<tr><td>Revenues</td></tr>
<tr><td>Liabilities</td><td rowspan="2">400 – Service Revenue</td></tr>
<tr><td rowspan="2">200 – Accounts Payable
210 – Unearned Revenue</td></tr>
<tr><td>Expenses</td></tr>
<tr><td></td><td>500 – Utilities Expense
510 – Advertising Expense</td></tr>
</table>

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E2-12

		Requirement 1	Requirement 2	Requirement 3
	Account Name	**Type of Account**	**Increase with Debit/Credit**	**Normal Balance Debit/Credit**
a.	Interest Revenue	E	CR	CR
b.	Accounts Payable	L	CR	CR
c.	Curtis, Capital	E	CR	CR
d.	Office Supplies	A	DR	DR
e.	Advertising Expense	E	DR	DR
f.	Unearned Revenue	L	CR	CR
g.	Prepaid Rent	A	DR	DR
h.	Utilities Expense	E	DR	DR
i.	Curtis, Withdrawals	E	DR	DR
j.	Service Revenue	E	CR	CR

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E2-13

(a) Assets = Liabilities + (b) Equity

Assets		= (c) Liabilities		+ Owner, Capital		− (d) Owner, Withdrawals		+ Revenues		− Expenses	
(e) Incr.	Decr.	Decr.	(f) Incr.	(g) Decr.	(h) Incr.	(i) Incr.	(j) Decr.	(k) Decr.	(l) Incr.	Incr.	(m) Decr.
Debit	(n) Credit	(o) Debit	Credit	(p) Debit	Credit	(q) Debit	Credit	Debit	Credit	(r) Debit	Credit

(a) Assets
(b) Equity
(c) Liabilities
(d) Owner, Withdrawal
(e) Incr.
(f) Incr.
(g) Decr.
(h) Incr.
(i) Incr.
(j) Decr.
(k) Decr.
(l) Incr.
(m) Decr.
(n) Credit
(o) Debit
(p) Debit
(q) Debit
(r) Debit

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E2-14

a. Bank deposit slip
b. Purchase invoice
c. Sales invoice

E2-15

a. Purchased equipment with cash.
b. Paid cash withdrawals to owner.
c. Paid wages owed to employees, previously recorded.
d. Received equipment for the business in exchange for capital.
e. Received cash from customer for work to be completed in the future.
f. Paid for advertising with cash.
g. Performed services that were paid by the customer.

E2-16

Date	Accounts and Explanation	Debit	Credit
Jul. 2	Cash	12,000	
	London, Capital		12,000
	Owner contribution.		
4	Utilities Expense	410	
	Cash		410
	Paid utility expense.		
5	Equipment	2,200	
	Accounts Payable		2,200
	Purchased equipment on account.		
10	Accounts Receivable	2,800	
	Service Revenue		2,800
	Performed services for client on account.		
12	Cash	7,500	
	Notes Payable		7,500
	Borrowed cash by signing note.		
19	London, Withdrawals	750	
	Cash		750
	Owner withdrawal.		

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E2-16, cont.

21	Office Supplies	860	
	Cash		860
	Purchased office supplies with cash.		
27	Accounts Payable	2,200	
	Cash		2,200
	Paid cash on account.		

E2-17
Requirements 1, 2, and 3

Cash

Jul. 2	12,000	410	Jul. 4
Jul. 12	7,500	750	Jul. 19
		860	Jul. 21
		2,200	Jul. 27
Balance	15,280		

Accounts Receivable

Jul. 10	2,800		
Balance	2,800		

Office Supplies

Jul. 21	860		
Balance	860		

Equipment

Jul. 5	2,200		
Balance	2,200		

Accounts Payable

Jul. 27	2,200	2,200	Jul. 5
		0	Balance

Notes Payable

		7,500	Jul. 12
		7,500	Balance

London, Capital

		12,000	Jul. 2
		12,000	Balance

London, Withdrawals

Jul. 19	750		
Balance	750		

Service Revenue

		2,800	Jul. 10
		2,800	Balance

Utilities Expense

Jul. 4	410		
Balance	410		

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E2-18

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
May 1	Cash		85,000	
	Wilson, Capital			85,000
	Owner contribution.			
2	Office Supplies		550	
	Accounts Payable			550
	Purchased office supplies on account.			
4	Building		48,000	
	Land		9,000	
	Cash			57,000
	Purchased building and land for cash.			
6	Cash		3,600	
	Service Revenue			3,600
	Performed services for customers for cash.			
9	Accounts Payable		450	
	Cash			450
	Paid cash on account.			
17	Accounts Receivable		3,400	
	Service Revenue			3,400
	Performed services for customers on account.			
19	Rent Expense		1,400	
	Cash			1,400
	Paid rent for the month.			
20	Cash		1,300	
	Unearned Revenue			1,300
	Received cash from customers for services to be performed next month.			
21	Prepaid Advertising		300	
	Cash			300
	Paid for next month's advertising.			

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E2-18, cont.

23	Cash		2,600	
	Accounts Receivable			2,600
	Received cash on account from customer.			
31	Salaries Expense		1,200	
	Cash			1,200
	Paid salaries.			

E2-19
Requirement 2

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
May 1	Cash	110	85,000	
	Wilson, Capital	310		85,000
	Owner contribution.			
2	Office Supplies	130	550	
	Accounts Payable	210		550
	Purchased office supplies on account.			
4	Building	150	48,000	
	Land	160	9,000	
	Cash	110		57,000
	Purchased building and land for cash.			
6	Cash	110	3,600	
	Service Revenue	410		3,600
	Performed services for customers for cash.			
9	Accounts Payable	210	450	
	Cash	110		450
	Paid cash on account.			
17	Accounts Receivable	120	3,400	
	Service Revenue	410		3,400
	Performed services for customers on account.			

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E2-19, cont.

19	Rent Expense	510	1,400	
	Cash	110		1,400
	Paid rent for the month.			
20	Cash	110	1,300	
	Unearned Revenue	220		1,300
	Received cash from customers for services to be performed next month.			
21	Prepaid Advertising	140	300	
	Cash	110		300
	Paid for next month's advertising.			
23	Cash	110	2,600	
	Accounts Receivable	120		2,600
	Received cash on account from customer.			
31	Salaries Expense	520	1,200	
	Cash	110		1,200
	Paid salaries.			

Requirements 1 and 2

CASH Account No. 110

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 1		J10	85,000		85,000	
May 4		J10		57,000	28,000	
May 6		J10	3,600		31,600	
May 9		J10		450	31,150	
May 19		J10		1,400	29,750	
May 20		J10	1,300		31,050	
May 21		J10		300	30,750	
May 23		J10	2,600		33,350	
May 31		J10		1,200	32,150	

ACCOUNTS RECEIVABLE Account No. 120

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 17		J10	3,400		3,400	
May 23		J10		2,600	800	

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E2-19, cont.

OFFICE SUPPLIES — Account No. 130

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 2		J10	550		550	

PREPAID ADVERTISING — Account No. 140

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 21		J10	300		300	

BUILDING — Account No. 150

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 4		J10	48,000		48,000	

LAND — Account No. 160

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 4		J10	9,000		9,000	

ACCOUNTS PAYABLE — Account No. 210

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 2		J10		550		550
May 9		J10	450			100

UNEARNED REVENUE — Account No. 220

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 20		J10		1,300		1,300

WILSON, CAPITAL — Account No. 310

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 1		J10		85,000		85,000

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E2-19, cont.

SERVICE REVENUE — Account No. 410

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 6		J10		3,600		3,600
May 17		J10		3,400		7,000

RENT EXPENSE — Account No. 510

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 19		J10	1,400		1,400	

SALARIES EXPENSE — Account No. 520

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
May 31		J10	1,200		1,200	

E2-20

1. The business received cash of $370,000 and gave capital to owner.
2. Paid $360,000 cash for a building.
3. Borrowed $260,000 cash, signing a note payable.
4. Purchased office supplies on account, $1,500.
5. Paid $1,200 on accounts payable.
6. Paid property tax expense, $1,500.
7. Paid rent $1,400 and salaries $2,500.
8. The owner withdrew $7,000 cash from the business.
9. Performed services for customers and received cash, $21,000.

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E2-21

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
1.	Cash		56,000	
	Atkins, Capital			56,000
	Owner contribution.			
2.	Office Supplies		200	
	Accounts Payable			200
	Purchased office supplies on account.			
3.	Building		37,000	
	Cash			37,000
	Purchased building for cash.			
4.	Cash		49,000	
	Notes Payable			49,000
	Borrowed money signing a note payable.			
5.	Equipment		5,900	
	Cash			5,900
	Purchased equipment for cash.			

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E2-22

AKER MOVING COMPANY
Trial Balance
August 31, 2016

Account Title	Balance	
	Debit	Credit
Cash	$ 5,000	
Accounts Receivable	8,700	
Office Supplies	300	
Trucks	132,000	
Building	48,000	
Accounts Payable		$ 4,200
Notes Payable		62,000
Aker, Capital		53,300
Aker, Withdrawals	6,200	
Service Revenue		92,000
Salaries Expense	7,000	
Fuel Expense	3,000	
Insurance Expense	600	
Utilities Expense	500	
Advertising Expense	200	
Total	**$ 211,500**	**$ 211,500**

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E2-23

MORRIS FARM EQUIPMENT REPAIR Trial Balance May 31, 2016		
Account Title	**Balance**	
	Debit	Credit
Cash	$ 12,680	
Accounts Receivable	3,100	
Equipment	18,000	
Building	32,000	
Land	12,000	
Salaries Payable		$ 3,400
Notes Payable		27,600
Morris, Capital		47,000
Morris, Withdrawals	1,200	
Service Revenue		7,200
Salaries Expense	5,600	
Property Tax Expense	300	
Advertising Expense	320	
Total	**$ 85,200**	**$ 85,200**

E2-24
Requirement 2

Date	Accounts and Explanation	Post Ref.	Debit	Credit
June 1	Cash	110	13,500	
	Office Furniture	140	5,400	
	Peel, Capital	310		18,900
5	Rent Expense	520	1,300	
	Cash	110		1,300
9	Office Supplies	130	800	
	Accounts Payable	210		800
14	Salaries Expense	510	1,700	
	Cash	110		1,700
18	Utilities Expense	530	250	
	Utilities Payable	220		250

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E2-24, cont.

21	Accounts Payable	210	600	
	Cash	110		600
25	Accounts Receivable	120	5,900	
	Service Revenue	410		5,900
28	Peel, Withdrawals	320	6,900	
	Cash	110		6,900

Requirements 1 & 2

CASH — Account No. 110

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10	13,500		13,500	
June 5		J10		1,300	12,200	
June 14		J10		1,700	10,500	
June 21		J10		600	9,900	
June 28		J10		6,900	3,000	

ACCOUNTS RECEIVABLE — Account No. 120

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 25		J10	5,900		5,900	

OFFICE SUPPLIES — Account No. 130

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 9		J10	800		800	

OFFICE FURNITURE — Account No. 140

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10	5,400		5,400	

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E2-24, cont.

ACCOUNTS PAYABLE — Account No. 210

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 9		J10		800		800
June 21		J10	600			200

UTILITIES PAYABLE — Account No. 220

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 18		J10		250		250

PEEL, CAPITAL — Account No. 310

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 1		J10		18,900		18,900

PEEL, WITHDRAWALS — Account No. 320

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 28		J10	6,900		6,900	

SERVICE REVENUE — Account No. 410

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 25		J10		5,900		5,900

SALARIES EXPENSE — Account No. 510

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 14		J10	1,700		1,700	

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E2-24, cont.

RENT EXPENSE — Account No. 520

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 5		J10	1,300		1,300	

UTILITIES EXPENSE — Account No. 530

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
June 18		J10	250		250	

Requirement 3

TORI PEEL, CPA
Trial Balance
June 30, 2016

Acct. No.	Account Title	Balance	
		Debit	Credit
110	Cash	$ 3,000	
120	Accounts Receivable	5,900	
130	Office Supplies	800	
140	Office Furniture	5,400	
210	Accounts Payable		$ 200
220	Utilities Payable		250
310	Peel, Capital		18,900
320	Peel, Withdrawals	6,900	
410	Service Revenue		5,900
510	Salaries Expense	1,700	
520	Rent Expense	1,300	
530	Utilities Expense	250	
	Total	**$ 25,250**	**$ 25,250**

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E2-25
Requirements 1 and 2

	Debits equal Credits, Yes or No	Accounts	Amount	High or Low
a.	No	Notes Receivable	$4,000	Low
b.	No	Utilities Expense	450	High
c.	Yes	Furniture	300	High
		Accounts Payable	300	High
d.	No	Cash	990	Low
e.	Yes	Office Supplies	90	Low
		Accounts Payable	90	Low

E2-26

TOWN AND COUNTRY PAINTING SPECIALISTS
Trial Balance
November 30, 2016

Account Title	**Balance**	
	Debit	Credit
Cash	$ 12,900	
Accounts Receivable	1,100	
Office Supplies	300	
Painting Equipment	13,000	
Accounts Payable		$ 3,100
Unearned Revenue		2,000
Wilson, Capital		15,000
Wilson, Withdrawals	7,000	
Service Revenue		19,650
Advertising Expense	450	
Rent Expense	2,700	
Salaries Expense	2,100	
Utilities Expense	200	
Total	**$ 39,750**	**$ 39,750**

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E2-27

CARLA MADOCK TUTORING SERVICE Trial Balance May 31, 2016		
Account Title	**Balance**	
	Debit	Credit
Cash	$ 3,500	
Accounts Receivable	1,200	
Office Supplies	700	
Computer Equipment	15,800	
Accounts Payable		$ 12,000
Utilities Payable		800
Madock, Capital		12,500
Madock, Withdrawals	10,200	
Service Revenue		9,600
Salaries Expense	1,900	
Rent Expense	800	
Utilities Expense	800	
Total	**$ 34,900**	**$ 34,900**

Explanation:

a. Increase Cash by $600, decrease Accounts Receivable by $600.

b. Increase Accounts Payable by $900 ($1,000 – $100).

c. Increase Utilities Expense and Utilities Payable by $300 each.

d. Increase Madock, Capital by $900.

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E2-28

Liabilities:	
Accounts Payable	$ 1,800
Utilities Payable	700
Unearned Revenue	18,290
Notes Payable	77,000
Total liabilities	$ 97,790
Assets:	
Cash	$ 37,000
Accounts Receivable	7,200
Office Supplies	2,600
Office Equipment	22,000
Building	85,000
Land	24,000
Total assets	$ 177,800

Debt ratio = Total liabilities / Total assets = $97,790 / $177,800 = 0.55 = 55%

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Problems (Group A)

P2-29A
Requirement 1

Date	Accounts and Explanation	Post Ref.	Debit	Credit
July 1	Cash		68,000	
	Yarwood, Capital			68,000
5	Rent Expense		550	
	Cash			550
9	Land		17,000	
	Cash			17,000
10	Office Supplies		1,800	
	Accounts Payable			1,800
19	Cash		24,000	
	Notes Payable			24,000
22	Accounts Payable		1,700	
	Cash			1,700
28	Advertising Expense		290	
	Advertising Payable			290
31	Cash		6,000	
	Accounts Receivable		5,500	
	Service Revenue			11,500
31	Salaries Expense		2,000	
	Rent Expense		1,000	
	Utilities Expense		550	
	Cash			3,550
31	Cash		1,260	
	Unearned Revenue			1,260
31	Yarwood, Withdrawals		7,400	
	Cash			7,400

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P2-29A, cont.
Requirement 2

Cash			
Jul. 1	68,000	550	Jul. 5
Jul. 19	24,000	17,000	Jul. 9
Jul. 31	6,000	1,700	Jul. 22
Jul. 31	1,260	3,550	Jul. 31
		7,400	Jul. 31
Bal.	69,060		

Accounts Receivable			
Jul. 31	5,500		
Bal.	5,500		

Office Supplies			
Jul. 10	1,800		
Bal.	1,800		

Land			
Jul. 9	17,000		
Bal.	17,000		

Accounts Payable			
Jul. 22	1,700	1,800	Jul. 10
		100	Bal.

Advertising Payable			
		290	Jul. 28
		290	Bal.

Unearned Revenue			
		1,260	Jul. 31
		1,260	Bal.

Notes Payable			
		24,000	Jul. 19
		24,000	Bal.

Yarwood, Capital			
		68,000	Jul. 1
		68,000	Bal.

Yarwood, Withdrawals			
Jul. 31	7,400		
Bal.	7,400		

Service Revenue			
		11,500	Jul. 31
		11,500	Bal.

Salaries Expense			
Jul. 31	2,000		
Bal.	2,000		

Rent Expense			
Jul. 5	550		
Jul. 31	1,000		
Bal.	1,550		

Utilities Expense			
Jul. 31	550		
Bal.	550		

Advertising Expense			
Jul. 28	290		
Bal.	290		

P2- **29A,**

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cont.

Requirement 3

VINCENT YARWOOD, MD
Trial Balance
July 31, 2017

Account Title	Balance	
	Debit	Credit
Cash	$ 69,060	
Accounts Receivable	5,500	
Office Supplies	1,800	
Land	17,000	
Accounts Payable		$ 100
Advertising Payable		290
Unearned Revenue		1,260
Notes Payable		24,000
Yarwood, Capital		68,000
Yarwood, Withdrawals	7,400	
Service Revenue		11,500
Salaries Expense	2,000	
Rent Expense	1,550	
Utilities Expense	550	
Advertising Expense	290	
Total	**$ 105,150**	**$ 105,150**

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P2-30A
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Sep. 1	Cash		47,000	
	Stann, Capital			47,000
4	Office Supplies		700	
	Furniture		1,600	
	Accounts Payable			2,300
6	Cash		1,400	
	Service Revenue			1,400
7	Land		20,000	
	Cash			20,000
10	Accounts Receivable		900	
	Service Revenue			900
14	Accounts Payable		1,600	
	Cash			1,600
15	Salaries Expense		1,480	
	Cash			1,480
17	Cash		700	
	Accounts Receivable			700
20	Accounts Receivable		700	
	Service Revenue			700
25	Cash		2,200	
	Unearned Revenue			2,200
28	Cash		2,600	
	Service Revenue			2,600
29	Prepaid Insurance		2,400	
	Cash			2,400
30	Salaries Expense		1,480	
	Cash			1,480
30	Rent Expense		500	
	Cash			500

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P2-30A, cont.

30	Utilities Expense		400	
	Utilities Payable			400
30	Stann, Withdrawals		3,000	
	Cash			3,000

Requirements 2 and 3

Cash

Sep. 1	47,000	20,000	Sep. 7
Sep. 6	1,400	1,600	Sep. 14
Sep. 17	700	1,480	Sep. 15
Sep. 25	2,200	2,400	Sep. 29
Sep. 28	2,600	1,480	Sep. 30
		500	Sep. 30
		3,000	Sep. 30
Bal.	23,440		

Accounts Payable

Sep. 14	1,600	2,300	Sep. 4
		700	Bal.

Utilities Payable

	400	Sep. 30
	400	Bal.

Accounts Receivable

Sep. 10	900	700	Sep. 17
Sep. 20	700		
Bal.	900		

Unearned Revenue

	2,200	Sep. 25
	2,200	Bal.

Office Supplies

Sep. 4	700	
Bal.	700	

Stann, Capital

	47,000	Sep. 1
	47,000	Bal.

Prepaid Insurance

Sep. 29	2,400	
Bal.	2,400	

Stann, Withdrawals

Sep. 30	3,000	
Bal.	3,000	

Furniture

Sep. 4	1,600	
Bal.	1,600	

Land

Sep. 7	20,000	
Bal.	20,000	

Service Revenue

	1,400	Sep. 6
	900	Sep. 10
	700	Sep. 20
	2,600	Sep. 28
	5,600	Bal.

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P2-30A, cont.

Salaries Expense		
Sep. 15	1,480	
Sep. 30	1,480	
Bal.	2,960	

Rent Expense		
Sep. 30	500	
Bal.	500	

Utilities Expense		
Sep. 30	400	
Bal.	400	

Requirement 4

DORIS STANN, DESIGNER
Trial Balance
September 30, 2017

Account Title	**Balance**	
	Debit	Credit
Cash	$ 23,440	
Accounts Receivable	900	
Office Supplies	700	
Prepaid Insurance	2,400	
Furniture	1,600	
Land	20,000	
Accounts Payable		$ 700
Utilities Payable		400
Unearned Revenue		2,200
Stann, Capital		47,000
Stann, Withdrawals	3,000	
Service Revenue		5,600
Salaries Expense	2,960	
Rent Expense	500	
Utilities Expense	400	
Total	**$ 55,900**	**$ 55,900**

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P2-31A
Requirements 1 and 3

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Jan. 1	Cash	101	62,000	
	Monroe, Capital	301		62,000
3	Office Supplies	121	500	
	Furniture	141	2,000	
	Accounts Payable	201		2,500
4	Cash	101	1,600	
	Service Revenue	411		1,600
7	Building	151	70,000	
	Land	161	29,000	
	Cash	101		35,000
	Notes Payable	221		64,000
11	Accounts Receivable	111	300	
	Service Revenue	411		300
15	Salaries Expense	511	1,180	
	Cash	101		1,180
16	Accounts Payable	201	500	
	Cash	101		500
18	Cash	101	2,000	
	Service Revenue	411		2,000
19	Accounts Receivable	111	1,400	
	Service Revenue	411		1,400
25	Utilities Expense	531	550	
	Utilities Payable	211		550
29	Cash	101	700	
	Accounts Receivable	111		700
30	Prepaid Insurance	131	840	
	Cash	101		840
30	Salaries Expense	511	1,180	
	Cash	101		1,180

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P2-31A, cont.

31	Rent Expense	521	1,300	
	Cash	101		1,300
31	Monroe, Withdrawals	311	2,900	
	Cash	101		2,900

Requirements 2 and 3

CASH Account No. 101

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 1		J1	62,000		62,000	
Jan. 4		J1	1,600		63,600	
Jan. 7		J1		35,000	28,600	
Jan. 15		J1		1,180	27,420	
Jan. 16		J1		500	26,920	
Jan. 18		J1	2,000		28,920	
Jan. 29		J1	700		29,620	
Jan. 30		J1		840	28,780	
Jan. 30		J1		1,180	27,600	
Jan. 31		J1		1,300	26,300	
Jan. 31		J1		2,900	23,400	

ACCOUNTS RECEIVABLE Account No. 111

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 11		J1	300		300	
Jan. 19		J1	1,400		1,700	
Jan. 29		J1		700	1,000	

OFFICE SUPPLIES Account No. 121

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1	500		500	

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P2-31A, cont.

PREPAID INSURANCE — Account No. 131

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 30		J1	840		840	

FURNITURE — Account No. 141

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1	2,000		2,000	

BUILDING — Account No. 151

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1	70,000		70,000	

LAND — Account No. 161

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1	29,000		29,000	

ACCOUNTS PAYABLE — Account No. 201

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 3		J1		2,500		2,500
Jan. 16		J1	500			2,000

UTILITIES PAYABLE — Account No. 211

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 25		J1		550		550

NOTES PAYABLE — Account No. 221

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 7		J1		64,000		64,000

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P2-31A, cont.

MONROE, CAPITAL — Account No. 301

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 1		J1		62,000		62,000

MONROE, WITHDRAWALS — Account No. 311

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 31		J1	2,900		2,900	

SERVICE REVENUE — Account No. 411

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 4		J1		1,600		1,600
Jan. 11		J1		300		1,900
Jan. 18		J1		2,000		3,900
Jan. 19		J1		1,400		5,300

SALARIES EXPENSE — Account No. 511

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 15		J1	1,180		1,180	
Jan. 30		J1	1,180		2,360	

RENT EXPENSE — Account No. 521

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 31		J1	1,300		1,300	

UTILITIES EXPENSE — Account No. 531

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Jan. 25		J1	550		550	

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P2-31A, cont.
Requirement 4

TIMOTHY MONROE, ATTORNEY Trial Balance January 31, 2017		
Account Title	**Balance**	
	Debit	Credit
Cash	$ 23,400	
Accounts Receivable	1,000	
Office Supplies	500	
Prepaid Insurance	840	
Furniture	2,000	
Building	70,000	
Land	29,000	
Accounts Payable		$ 2,000
Utilities Payable		550
Notes Payable		64,000
Monroe, Capital		62,000
Monroe, Withdrawals	2,900	
Service Revenue		5,300
Salaries Expense	2,360	
Rent Expense	1,300	
Utilities Expense	550	
Total	**$ 133,850**	**$ 133,850**

P2-32A
Requirement 1

Date	Accounts and Explanation	Post. Ref.	Debit	Credit
Apr. 4	Cash	11	1,000	
	Accounts Receivable	12		1,000
	Received cash from client on account.			
8	Accounts Receivable	12	5,800	
	Service Revenue	41		5,800
	Performed tax services for client on account.			
13	Accounts Payable	21	1,500	
	Cash	11		1,500
	Paid cash on account.			

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P2-32A, cont.

Apr. 14	Furniture	14	4,600	
	Accounts Payable	21		4,600
	Purchased furniture on account.			
15	Automobile	15	8,000	
	Mentz, Capital	31		8,000
	Owner contribution.			
18	Office Supplies	13	500	
	Accounts Payable	21		500
	Purchased office supplies on account.			
19	Cash	11	2,900	
	Accounts Receivable	12		2,900
	Received cash on account.			
20	Mentz, Withdrawals	33	8,000	
	Cash	11		8,000
	Owner withdrawal.			
21	Cash	11	5,400	
	Service Revenue	41		5,400
	Received cash for consulting work.			
24	Cash	11	1,200	
	Unearned Revenue	22		1,200
	Received payment for services to be performed next month.			
27	Rent Expense	52	700	
	Cash	11		700
	Paid office rent.			
28	Salaries Expense	51	1,600	
	Cash	11		1,600
	Paid employee salary.			

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P2-32A, cont.
Requirements 2 and 3

CASH — Account No. 11

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				18,000	
Apr. 4		J5	1,000		19,000	
Apr. 13		J5		1,500	17,500	
Apr. 19		J5	2,900		20,400	
Apr. 20		J5		8,000	12,400	
Apr. 21		J5	5,400		17,800	
Apr. 24		J5	1,200		19,000	
Apr. 27		J5		700	18,300	
Apr. 28		J5		1,600	16,700	

ACCOUNTS RECEIVABLE — Account No. 12

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				9,500	
Apr. 4		J5		1,000	8,500	
Apr. 8		J5	5,800		14,300	
Apr. 19		J5		2,900	11,400	

OFFICE SUPPLIES — Account No. 13

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				1,000	
Apr. 18		J5	500		1,500	

FURNITURE — Account No. 14

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 14		J5	4,600		4,600	

AUTOMOBILE — Account No. 15

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 15		J5	8,000		8,000	

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P2-32A, cont.

LAND — Account No. 16

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				26,000	

ACCOUNTS PAYABLE — Account No. 21

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					5,500
Apr. 13		J5	1,500			4,000
Apr. 14		J5		4,600		8,600
Apr. 18		J5		500		9,100

UNEARNED REVENUE — Account No. 22

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 24		J5		1,200		1,200

MENTZ, CAPITAL — Account No. 31

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					44,100
Apr. 15		J5		8,000		52,100

MENTZ, WITHDRAWALS — Account No. 33

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 20		J5	8,000		8,000	

SERVICE REVENUE — Account No. 41

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					10,800
Apr. 8		J5		5,800		16,600
Apr. 21		J5		5,400		22,000

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P2-32A, cont.

SALARIES EXPENSE — Account No. 51

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				5,000	
Apr. 28		J5	1,600		6,600	

RENT EXPENSE — Account No. 52

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				900	
Apr. 27		J5	700		1,600	

Requirement 4

STEVE MENTZ, CPA
Trial Balance
April 30, 2017

Acct. No.	Account Title	Balance	
		Debit	Credit
11	Cash	$ 16,700	
12	Accounts Receivable	11,400	
13	Office Supplies	1,500	
14	Furniture	4,600	
15	Automobile	8,000	
16	Land	26,000	
21	Accounts Payable		$ 9,100
22	Unearned Revenue		1,200
31	Mentz, Capital		52,100
33	Mentz, Withdrawals	8,000	
41	Service Revenue		22,000
51	Salaries Expense	6,600	
52	Rent Expense	1,600	
	Total	**$ 84,400**	**$ 84,400**

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P2-33A

CREATIVE CHILD CARE
Trial Balance
August 31, 2017

Account Title	Balance	
	Debit	Credit
Cash	$ 10,200	
Accounts Receivable	15,000	
Office Supplies	2,500	
Prepaid Insurance	3,900	
Equipment	76,500	
Accounts Payable		$ 4,400
Notes Payable		47,000
Tarrago, Capital		50,000
Tarrago, Withdrawals	3,400	
Service Revenue		14,500
Salaries Expense	3,500	
Rent Expense	700	
Advertising Expense	200	
Total	**$ 115,900**	**$ 115,900**

Explanations:

a. Increase Cash by $1,400.

b. Increase Accounts Receivable by $7,800 ($3,900 × 2).

c. Increase Office Supplies and Accounts Payable by $1,300 each.

d. Decrease Equipment by $7,800 ($84,300 − $76,500).

e. Decrease Salaries Expense by $300.

f. Advertising Expense should have a debit balance of $200. Decrease Cash by $200.

g. Tarrago, Withdrawals should decrease by $2,160 and Cash should increase by $2,160 ($2,400 − $240).

h. Service Revenue should increase by $4,500.

i. Prepaid Insurance should increase by $3,600 ($1,800 × 2).

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P2-34A

Requirement 1

SANDRA SOUSA, REGISTERED DIETICIAN
Income Statement
Month Ended July 31, 2017

Revenues:		
Service Revenue		$ 11,840
Expenses:		
Salaries Expense	$ 2,300	
Rent Expense	800	
Utilities Expense	250	
Total Expenses		3,350
Net Income		$ 8,490

Requirement 2

SANDRA SOUSA, REGISTERED DIETICIAN
Statement of Owner's Equity
Month Ended July 31, 2017

Sousa, Capital, July 1, 2017	$ 0
Owner contribution	24,000
Net income for the month	8,490
	32,490
Owner withdrawal	(2,600)
Sousa, Capital, July 31, 2017	$ 29,890

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P2-34A, cont.
Requirements 3

SANDRA SOUSA, REGISTERED DIETICIAN
Balance Sheet
July 31, 2017

Assets		Liabilities	
Cash	$ 33,000	Accounts Payable	$ 3,300
Accounts Receivable	9,500	Unearned Revenue	2,810
Office Supplies	1,500	Notes Payable	25,000
Prepaid Insurance	2,000	Total Liabilities	31,110
Equipment	15,000		
		Owner's Equity	
		Sousa, Capital	29,890
Total Assets	$ 61,000	Total Liabilities and Owner's Equity	$ 61,000

Requirement 4

Debt ratio = Total liabilities / Total assets = $31,110 / $61,000 = 0.51 = 51%

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Problems (Group B)

P2-35B
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Mar. 1	Cash		64,000	
	York, Capital			64,000
5	Rent Expense		630	
	Cash			630
9	Land		13,000	
	Cash			13,000
10	Office Supplies		1,800	
	Accounts Payable			1,800
19	Cash		24,000	
	Notes Payable			24,000
22	Accounts Payable		1,200	
	Cash			1,200
28	Advertising Expense		270	
	Advertising Payable			270
31	Cash		6,600	
	Accounts Receivable		5,800	
	Service Revenue			12,400
31	Salaries Expense		2,700	
	Rent Expense		1,500	
	Utilities Expense		400	
	Cash			4,600
31	Cash		1,450	
	Unearned Revenue			1,450
31	York, Withdrawals		6,600	
	Cash			6,600

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P2-35B, cont.
Requirement 2

Cash			
Mar. 1	64,000	630	Mar. 5
Mar. 19	24,000	13,000	Mar. 9
Mar. 31	6,600	1,200	Mar. 22
Mar. 31	1,450	4,600	Mar. 31
		6,600	Mar. 31
Bal.	70,020		

Accounts Receivable			
Mar. 31	5,800		
Bal.	5,800		

Office Supplies			
Mar. 10	1,800		
Bal.	1,800		

Land			
Mar. 9	13,000		
Bal.	13,000		

Accounts Payable			
Mar. 22	1,200	1,800	Mar. 10
		600	Bal.

Advertising Payable			
		270	Mar. 28
		270	Bal.

Unearned Revenue			
		1,450	Mar. 31
		1,450	Bal.

Notes Payable			
		24,000	Mar. 19
		24,000	Bal.

York, Capital			
		64,000	Mar. 1
		64,000	Bal.

York, Withdrawals			
Mar. 31	6,600		
Bal.	6,600		

Service Revenue			
		12,400	Mar. 31
		12,400	Bal.

Salaries Expense			
Mar. 31	2,700		
Bal.	2,700		

Rent Expense			
Mar. 5	630		
Mar. 31	1,500		
Bal.	2,130		

Utilities Expense			
Mar. 31	400		
Bal.	400		

Advertising Expense			
Mar. 28	270		
Bal.	270		

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P2-35B, cont.
Requirement 3

VITO YORK, MD
Trial Balance
March 31, 2017

Account Title	Balance	
	Debit	Credit
Cash	$ 70,020	
Accounts Receivable	5,800	
Office Supplies	1,800	
Land	13,000	
Accounts Payable		$ 600
Advertising Payable		270
Unearned Revenue		1,450
Notes Payable		24,000
York, Capital		64,000
York, Withdrawals	6,600	
Service Revenue		12,400
Salaries Expense	2,700	
Rent Expense	2,130	
Utilities Expense	400	
Advertising Expense	270	
Total	**$ 102,720**	**$ 102,720**

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P2-36B
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash		39,000	
	Sikes, Capital			39,000
4	Office Supplies		900	
	Furniture		1,800	
	Accounts Payable			2,700
6	Cash		2,000	
	Service Revenue			2,000
7	Land		24,000	
	Cash			24,000
10	Accounts Receivable		1,200	
	Service Revenue			1,200
14	Accounts Payable		1,800	
	Cash			1,800
15	Salaries Expense		1,410	
	Cash			1,410
17	Cash		1,000	
	Accounts Receivable			1,000
20	Accounts Receivable		900	
	Service Revenue			900
25	Cash		2,100	
	Unearned Revenue			2,100
28	Cash		2,800	
	Service Revenue			2,800
29	Prepaid Insurance		1,080	
	Cash			1,080
30	Salaries Expense		1,410	
	Cash			1,410
30	Rent Expense		800	
	Cash			800

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P2-36B, cont.

Nov. 30	Utilities Expense		600	
	Utilities Payable			600
30	Sikes, Withdrawals		4,000	
	Cash			4,000

Requirements 2 and 3

Cash

Nov. 1	39,000	24,000	Nov. 7
Nov. 6	2,000	1,800	Nov. 14
Nov. 17	1,000	1,410	Nov. 15
Nov. 25	2,100	1,080	Nov. 29
Nov. 28	2,800	1,410	Nov. 30
		800	Nov. 30
		4,000	Nov. 30
Bal.	12,400		

Accounts Receivable

Nov. 10	1,200	1,000	Nov. 17
Nov. 20	900		
Bal.	1,100		

Office Supplies

Nov. 4	900	
Bal.	900	

Prepaid Insurance

Nov. 29	1,080	
Bal.	1,080	

Furniture

Nov. 4	1,800	
Bal.	1,800	

Land

Nov. 7	24,000	
Bal.	24,000	

Accounts Payable

Nov. 14	1,800	2,700	Nov. 4
		900	Bal.

Utilities Payable

	600	Nov. 30
	600	Bal.

Unearned Revenue

	2,100	Nov. 25
	2,100	Bal.

Sikes, Capital

	39,000	Nov. 1
	39,000	Bal.

Sikes, Withdrawals

Nov. 30	4,000	
Bal.	4,000	

Service Revenue

	2,000	Nov. 6
	1,200	Nov. 10
	900	Nov. 20
	2,800	Nov. 28
	6,900	Bal.

Salaries Expense

Nov. 15	1,410	
Nov. 30	1,410	
Bal.	2,820	

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P2-36B, cont.

Rent Expense		
Nov. 30	800	
Bal.	800	

Utilities Expense		
Nov. 30	600	
Bal.	600	

Requirement 4

DEB SIKES, DESIGNER
Trial Balance
November 30, 2017

Account Title	Balance	
	Debit	Credit
Cash	$ 12,400	
Accounts Receivable	1,100	
Office Supplies	900	
Prepaid Insurance	1,080	
Furniture	1,800	
Land	24,000	
Accounts Payable		$ 900
Utilities Payable		600
Unearned Revenue		2,100
Sikes, Capital		39,000
Sikes, Withdrawals	4,000	
Service Revenue		6,900
Salaries Expense	2,820	
Rent Expense	800	
Utilities Expense	600	
Total	**$ 49,500**	**$ 49,500**

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P2-37B
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Apr. 1	Cash	101	76,000	
	Moore, Capital	301		76,000
3	Office Supplies	121	400	
	Furniture	141	2,200	
	Accounts Payable	201		2,600
4	Cash	101	900	
	Service Revenue	411		900
7	Building	151	120,000	
	Land	161	29,000	
	Cash	101		45,000
	Notes Payable	221		104,000
11	Accounts Receivable	111	800	
	Service Revenue	411		800
15	Salaries Expense	511	1,230	
	Cash	101		1,230
16	Accounts Payable	201	400	
	Cash	101		400
18	Cash	101	2,800	
	Service Revenue	411		2,800
19	Accounts Receivable	111	1,500	
	Service Revenue	411		1,500
25	Utilities Expense	531	650	
	Utilities Payable	211		650
28	Cash	101	1,700	
	Accounts Receivable	111		1,700
29	Prepaid Insurance	131	4,800	
	Cash	101		4,800
29	Salaries Expense	511	1,230	
	Cash	101		1,230

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P2-37B, cont.

Apr. 30	Rent Expense	521	1,100	
	Cash	101		1,100
30	Moore, Withdrawals	311	2,000	
	Cash	101		2,000

Requirements 2 and 3

CASH — Account No. 101

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 1		J1	76,000		76,000	
Apr. 4		J1	900		76,900	
Apr. 7		J1		45,000	31,900	
Apr. 15		J1		1,230	30,670	
Apr. 16		J1		400	30,270	
Apr. 18		J1	2,800		33,070	
Apr. 28		J1	1,700		34,770	
Apr. 29		J1		4,800	29,970	
Apr. 29		J1		1,230	28,740	
Apr. 30		J1		1,100	27,640	
Apr. 30		J1		2,000	25,640	

ACCOUNTS RECEIVABLE — Account No. 111

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 11		J1	800		800	
Apr. 19		J1	1,500		2,300	
Apr. 28		J1		1,700	600	

OFFICE SUPPLIES — Account No. 121

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 3		J1	400		400	

PREPAID INSURANCE — Account No. 131

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Apr. 29		J1	4,800		4,800	

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P2-37B, cont.

FURNITURE — Account No. 141

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 3		J1	2,200		2,200	

BUILDING — Account No. 151

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1	120,000		120,000	

LAND — Account No. 161

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1	29,000		29,000	

ACCOUNTS PAYABLE — Account No. 201

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 3		J1		2,600		2,600
Apr. 16		J1	400			2,200

UTILITIES PAYABLE — Account No. 211

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 25		J1		650		650

NOTES PAYABLE — Account No. 221

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 7		J1		104,000		104,000

MOORE, CAPITAL — Account No. 301

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 1		J1		76,000		76,000

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P2-37B, cont.

MOORE, WITHDRAWALS — Account No. 311

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 30		J1	2,000		2,000	

SERVICE REVENUE — Account No. 411

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 4		J1		900		900
Apr. 11		J1		800		1,700
Apr. 18		J1		2,800		4,500
Apr. 19		J1		1,500		6,000

SALARIES EXPENSE — Account No. 511

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 15		J1	1,230		1,230	
Apr. 29		J1	1,230		2,460	

RENT EXPENSE — Account No. 521

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 30		J1	1,100		1,100	

UTILITIES EXPENSE — Account No. 531

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 25		J1	650		650	

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P2-37B, cont.
Requirement 4

TREVOR MOORE, ATTORNEY
Trial Balance
April 30, 2017

Account Title	Balance	
	Debit	Credit
Cash	$ 25,640	
Accounts Receivable	600	
Office Supplies	400	
Prepaid Insurance	4,800	
Furniture	2,200	
Building	120,000	
Land	29,000	
Accounts Payable		$ 2,200
Utilities Payable		650
Notes Payable		104,000
Moore, Capital		76,000
Moore, Withdrawals	2,000	
Service Revenue		6,000
Salaries Expense	2,460	
Rent Expense	1,100	
Utilities Expense	650	
Total	**$ 188,850**	**$ 188,850**

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P2-38B
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Apr. 4	Cash	11	2,000	
	Accounts Receivable	12		2,000
	Received cash from client on account.			
8	Accounts Receivable	12	5,400	
	Service Revenue	41		5,400
	Performed tax services for client on account.			
13	Accounts Payable	21	3,300	
	Cash	11		3,300
	Paid cash on account.			
14	Furniture	14	4,600	
	Accounts Payable	21		4,600
	Purchased furniture on account.			
15	Automobile	15	10,000	
	Howe, Capital	31		10,000
	Owner contribution.			
18	Office Supplies	13	1,000	
	Accounts Payable	21		1,000
	Purchased office supplies on account.			
19	Cash	11	2,700	
	Accounts Receivable	12		2,700
	Received cash on account.			
20	Howe, Withdrawals	33	4,000	
	Cash	11		4,000
	Owner withdrawal.			
21	Cash	11	3,800	
	Service Revenue	41		3,800
	Received cash for consulting work.			
24	Cash	11	1,400	
	Unearned Revenue	22		1,400
	Received payment for services to be performed next month.			

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P2-38B, cont.

Apr. 27	Rent Expense	52	600	
	Cash	11		600
	Paid office rent.			
28	Salaries Expense	51	1,000	
	Cash	11		1,000
	Paid employee salary.			

Requirements 2 and 3

CASH Account No. 11

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				10,000	
Apr. 4		J5	2,000		12,000	
Apr. 13		J5		3,300	8,700	
Apr. 19		J5	2,700		11,400	
Apr. 20		J5		4,000	7,400	
Apr. 21		J5	3,800		11,200	
Apr. 24		J5	1,400		12,600	
Apr. 27		J5		600	12,000	
Apr. 28		J5		1,000	11,000	

ACCOUNTS RECEIVABLE Account No. 12

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				7,500	
Apr. 4		J5		2,000	5,500	
Apr. 8		J5	5,400		10,900	
Apr. 19		J5		2,700	8,200	

OFFICE SUPPLIES Account No. 13

Date	Item	Post Ref.	Debit	Credit	Balance Debit	Balance Credit
Mar. 31	Balance				400	
Apr. 18		J5	1,000		1,400	

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P2-38B, cont.

FURNITURE — Account No. 14

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 14		J5	4,600		4,600	

AUTOMOBILE — Account No. 15

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 15		J5	10,000		10,000	

LAND — Account No. 16

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				27,000	

ACCOUNTS PAYABLE — Account No. 21

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					4,200
Apr. 13		J5	3,300			900
Apr. 14		J5		4,600		5,500
Apr. 18		J5		1,000		6,500

UNEARNED REVENUE — Account No. 22

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 24		J5		1,400		1,400

HOWE, CAPITAL — Account No. 31

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					33,300
Apr. 15		J5		10,000		43,300

HOWE, WITHDRAWALS — Account No. 33

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Apr. 20		J5	4,000		4,000	

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P2-38B, cont.

SERVICE REVENUE — Account No. 41

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance					10,800
Apr. 8		J5		5,400		16,200
Apr. 21		J5		3,800		20,000

SALARIES EXPENSE — Account No. 51

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				2,500	
Apr. 28		J5	1,000		3,500	

RENT EXPENSE — Account No. 52

Date	Item	Post Ref.	Debit	Credit	Balance	
					Debit	Credit
Mar. 31	Balance				900	
Apr. 27		J5	600		1,500	

Requirement 4

JAMES HOWE, CPA
Trial Balance
April 30, 2017

Acct. No.	Account Title	Balance	
		Debit	Credit
11	Cash	$ 11,000	
12	Accounts Receivable	8,200	
13	Office Supplies	1,400	
14	Furniture	4,600	
15	Automobile	10,000	
16	Land	27,000	
21	Accounts Payable		$ 6,500
22	Unearned Revenue		1,400
31	Howe, Capital		43,300
33	Howe, Withdrawals	4,000	
41	Service Revenue		20,000
51	Salaries Expense	3,500	
52	Rent Expense	1,500	
	Total	**$ 71,200**	**$ 71,200**

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P2-39B

LEARN FOR LIFE CHILD CARE Trial Balance May 31, 2017		
Account Title	**Balance**	
	Debit	Credit
Cash	$ 10,500	
Accounts Receivable	15,900	
Office Supplies	2,100	
Prepaid Insurance	3,600	
Equipment	81,500	
Accounts Payable		$ 4,700
Notes Payable		48,000
Emerald, Capital		54,000
Emerald, Withdrawals	2,700	
Service Revenue		15,700
Salaries Expense	4,600	
Rent Expense	900	
Advertising Expense	600	
Total	**$ 122,400**	**$ 122,400**

Explanations:

a. Increase Cash by $1,800.

b. Increase Accounts Receivable by $7,800 ($3,900 × 2).

c. Increase Office Supplies and Accounts Payable by $1,200 each.

d. Decrease Equipment by $7,800 ($89,300 − $81,500).

e. Decrease Salaries Expense by $500.

f. Advertising Expense should have a debit balance of $600. Decrease Cash by $600.

g. Emerald, Withdrawals should decrease by $900 and Cash should increase by $900 ($1,000 − $100).

h. Service Revenue should increase by $4,200.

i. Prepaid Insurance should increase by $2,600 ($1,300 × 2).

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P2-40B

Requirement 1

SARAH SILK, REGISTERED DIETICIAN Income Statement Month Ended July 31, 2017		
Revenues:		
Service Revenue		$ 9,858
Expenses:		
Salaries Expense	$ 1,300	
Rent Expense	800	
Utilities Expense	250	
Total Expenses		2,350
Net Income		$ 7,508

Requirement 2

SARAH SILK, REGISTERED DIETICIAN Statement of Owner's Equity Month Ended July 31, 2017	
Silk, Capital, July 1, 2017	$ 0
Owner contribution	26,000
Net income for the month	7,508
	33,508
Owner withdrawal	(2,500)
Silk, Capital, July 31, 2017	$ 31,008

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P2-40B, cont.
Requirement 3

SARAH SILK, REGISTERED DIETICIAN
Balance Sheet
July 31, 2017

Assets		Liabilities	
Cash	$ 30,000	Accounts Payable	$ 3,400
Accounts Receivable	9,700	Unearned Revenue	5,192
Office Supplies	2,200	Notes Payable	25,000
Prepaid Insurance	2,700	Total Liabilities	$ 33,592
Equipment	20,000		
		Owner's Equity	
		Silk, Capital	31,008
Total Assets	$ 64,600	Total Liabilities and Owner's Equity	$ 64,600

Requirement 4

Debt ratio = Total liabilities / Total assets = $33,592 / $64,600 = 0.52 = 52%

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Continuing Problem

P2-41
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Dec. 2	Cash		20,000	
	Daniels, Capital			20,000
2	Rent Expense		2,000	
	Cash			2,000
3	Equipment		3,600	
	Cash			3,600
4	Furniture		3,000	
	Accounts Payable			3,000
5	Office Supplies		800	
	Accounts Payable			800
9	Accounts Receivable		2,500	
	Service Revenue			2,500
12	Utilities Expense		150	
	Cash			150
18	Cash		2,100	
	Service Revenue			2,100
21	Cash		2,400	
	Unearned Revenue			2,400
21	*No entry needed*			
26	Accounts Payable		200	
	Cash			200
28	Cash		400	
	Accounts Receivable			400
30	Daniels, Withdrawals		1,000	
	Cash			1,000

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P2-41, cont.
Requirements 2 and 3

Cash			
Dec. 2	20,000	2,000	Dec. 2
Dec. 18	2,100	3,600	Dec. 3
Dec. 21	2,400	150	Dec. 12
Dec. 28	400	200	Dec. 26
		1,000	Dec. 30
Balance	17,950		

Accounts Payable			
Dec. 26	200	3,000	Dec. 4
		800	Dec. 5
		3,600	Balance

Accounts Receivable			
Dec. 9	2,500	400	Dec. 28
Balance	2,100		

Unearned Revenue			
		2,400	Dec. 21
		2,400	Balance

Office Supplies			
Dec. 5	800		
Balance	800		

Daniels, Capital			
		20,000	Dec. 2
		20,000	Balance

Equipment			
Dec. 3	3,600		
Balance	3,600		

Daniels, Withdrawals			
Dec. 30	1,000		
Balance	1,000		

Furniture			
Dec. 4	3,000		
Balance	3,000		

Service Revenue			
		2,500	Dec. 9
		2,100	Dec. 18
		4,600	Balance

Rent Expense			
Dec. 2	2,000		
Balance	2,000		

Utilities Expense			
Dec. 12	150		
Balance	150		

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P2-41, cont.

Requirement 4

DANIELS CONSULTING
Trial Balance
December 31, 2016

Account Title	Balance	
	Debit	Credit
Cash	$ 17,950	
Accounts Receivable	2,100	
Office Supplies	800	
Equipment	3,600	
Furniture	3,000	
Accounts Payable		$ 3,600
Unearned Revenue		2,400
Daniels, Capital		20,000
Daniels, Withdrawals	1,000	
Service Revenue		4,600
Rent Expense	2,000	
Utilities Expense	150	
Total	**$ 30,600**	**$ 30,600**

Requirement 5

DANIELS CONSULTING
Income Statement
Month Ended December 31, 2016

Revenues:		
Service Revenue		$ 4,600
Expenses:		
Rent Expense	$ 2,000	
Utilities Expense	150	
Total Expenses		2,150
Net Income		$ 2,450

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P2-41, cont.

Requirement 6

DANIELS CONSULTING Statement of Owner's Equity Month Ended December 31, 2016	
Daniels, Capital, December 1, 2016	$ 0
Owner contribution	20,000
Net income for the month	2,450
	22,450
Owner withdrawals	(1,000)
Daniels, Capital, December 31, 2016	$ 21,450

Requirement 7

DANIELS CONSULTING
Balance Sheet
December 31, 2016

Assets		Liabilities	
Cash	$ 17,950	Accounts Payable	$ 3,600
Accounts Receivable	2,100	Unearned Revenue	2,400
Office Supplies	800	Total Liabilities	$ 6,000
Equipment	3,600		
Furniture	3,000		
		Owner's Equity	
		Daniels, Capital	21,450
Total Assets	$ 27,450	Total Liabilities and Owner's Equity	$ 27,450

Requirement 8

Debt ratio = Total liabilities / Total assets = $6,000 / $27,450 = 0.22* = 22%

* rounded

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Practice Set

P2-42
Requirement 1

Date	Accounts and Explanation	Posting Ref.	Debit	Credit
Nov. 1	Cash		35,000	
	Truck		7,000	
	Habib, Capital			42,000
2	Prepaid Rent		2,000	
	Cash			2,000
3	Prepaid Insurance		1,800	
	Cash			1,800
4	Cleaning Supplies		220	
	Accounts Payable			220
5	Equipment		2,000	
	Accounts Payable			2,000
7	Equipment		1,200	
	Cash			1,200
9	Accounts Receivable		3,800	
	Service Revenue			3,800
10	Cash		300	
	Accounts Receivable			300
15	Salaries Expense		350	
	Cash			350
16	Cash		12,000	
	Unearned Revenue			12,000
17	Cash		1,000	
	Service Revenue			1,000
18	Utilities Expense		250	
	Accounts Payable			250
20	Cash		96,000	
	Notes Payable			96,000

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P2-42, cont.

Nov. 21	Cash		900	
	Accounts Receivable			900
25	Accounts Payable		1,000	
	Cash			1,000
29	Advertising Expense		500	
	Cash			500
30	Habib, Withdrawals		200	
	Cash			200

Requirements 2 and 3

Cash

Nov. 1	35,000	2,000	Nov. 2
Nov. 10	300	1,800	Nov. 3
Nov. 16	12,000	1,200	Nov. 7
Nov. 17	1,000	350	Nov. 15
Nov. 20	96,000	1,000	Nov. 25
Nov. 21	900	500	Nov. 29
		200	Nov. 30
Balance	138,150		

Accounts Payable

Nov. 25	1,000	220	Nov. 4
		2,000	Nov. 5
		250	Nov. 18
		1,470	Balance

Accounts Receivable

Nov. 9	3,800	300	Nov. 10
		900	Nov. 21
Balance	2,600		

Unearned Revenue

	12,000	Nov. 16
	12,000	Balance

Cleaning Supplies

Nov. 4	220	
Balance	220	

Notes Payable

	96,000	Nov. 20
	96,000	Balance

Prepaid Rent

Nov. 2	2,000	
Balance	2,000	

Habib, Capital

	42,000	Nov. 1
	42,000	Balance

Prepaid Insurance

Nov. 3	1,800	
Balance	1,800	

Habib, Withdrawals

Nov. 30	200	
Balance	200	

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P2-42, cont.
Requirements 2 and 3

Equipment		
Nov. 5	2,000	
Nov. 7	1,200	
Balance	3,200	

Service Revenue		
	3,800	Nov. 9
	1,000	Nov. 17
	4,800	Balance

Truck		
Nov. 1	7,000	
Balance	7,000	

Salaries Expense		
Nov. 15	350	
Balance	350	

Advertising Expense		
Nov. 29	500	
Balance	500	

Utilities Expense		
Nov. 18	250	
Balance	250	

Requirement 4

CRYSTAL CLEAR CLEANING
Trial Balance
November 30, 2017

Account Title	**Balance**	
	Debit	Credit
Cash	$ 138,150	
Accounts Receivable	2,600	
Cleaning Supplies	220	
Prepaid Rent	2,000	
Prepaid Insurance	1,800	
Equipment	3,200	
Truck	7,000	
Accounts Payable		$ 1,470
Unearned Revenue		12,000
Notes Payable		96,000
Habib, Capital		42,000
Habib, Withdrawals	200	
Service Revenue		4,800
Salaries Expense	350	
Advertising Expense	500	
Utilities Expense	250	
Total	**$ 156,270**	**$ 156,270**

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Critical Thinking

Decision Case 2-1
Requirements 1 and 2

Cash			
a.	10,000	300	b.
f.	1,200	2,400	d.
Bal.	8,500		

Accounts Payable			
		700	c.
		700	Bal.

Accounts Receivable			
e.	8,800	1,200	f.
Bal.	7,600		

McChesney, Capital			
		10,000	a.
		10,000	Bal.

Office Supplies			
b.	300		
Bal.	300		

Service Revenue			
		8,800	e.
		8,800	Bal.

Salaries Expense			
d.	1,400		
Bal.	1,400		

Rent Expense			
d.	1,000		
Bal.	1,000		

Advertising Expense			
c.	700		
Bal.	700		

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Decision Case 2-1, cont.
Requirement 3

A-PLUS TRAVEL PLANNERS
Trial Balance
June 30, 2016

Account Title	Balance	
	Debit	Credit
Cash	$ 8,500	
Accounts Receivable	7,600	
Office Supplies	300	
Accounts Payable		$ 700
McChesney, Capital		10,000
Service Revenue		8,800
Salaries Expense	1,400	
Rent Expense	1,000	
Advertising Expense	700	
Total	**$ 19,500**	**$ 19,500**

Requirement 4

Revenues:		
Service Revenue		$ 8,800
Expenses:		
Salaries Expense	$ 1,400	
Rent Expense	1,000	
Advertising Expense	700	
Total Expenses		3,100
Net Income		$ 5,700

McChesney should discontinue the business because net income falls below the target amount.

Ethical Issue 2-1

The bank has a standing agreement with Better Days Ahead for overdrafts, so as long as transactions are compliant with terms of the agreement, there is no ethical issue. The exercise refers to Better Days Ahead managing funds "wisely." However, whether funds are managed wisely or not is a matter of prudent business management and not an ethical issue. Presumably if Better Days Ahead was exceeding the terms of the agreement, the bank would cancel the arrangement.

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Ethical Issue 2-1, cont.

Some students may point out that the agreement was for times when donations were running low, whereas the reasons given for the overdraft are for expansion and fundraising. If this is interpreted to mean that Better Days Ahead is abusing the privilege according to the terms of the agreement, then there may be an ethical issue involved, but that is not made clear by the information given.

Students may approve of Henson's cash management if the arrangement is beneficial to Better Days Ahead, and thus helps them accomplish their charitable mission more effectively. Students may disapprove of Henson's cash management if (a) they feel it is "unwise" (poor business management), or (b) if they believe he is exceeding the terms of the agreement.

Fraud Case 2-1
Requirement 1
By changing an expense to an asset, the total expenses will decrease and net income will increase.

Requirement 2
The CEO gained by earning a bonus, and the accounting manager may have gained by getting favorable treatment from the CEO. The shareholders of the company lost, because the company paid out the bonus under fraudulent conditions.

Financial Statement Case 2-1
Requirement 1

Debt ratio = Total liabilities / Total assets
= $7,034.4 (in millions) / $11,516.7 (in millions)
= 0.611* = 61.1%
* rounded

Requirement 2

Starbucks debt ratio is significantly higher than Green Mountain (30.0%).

Communication Activity 2-1

Debits are on the left, credits are on the right. Normal balance for assets, expenses, and owner's withdrawals is a debit. For liability, owner's capital, and revenue accounts, the normal balance is a credit.

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