College Accounting A Practical Approach (Canadian) 13th edition Slater Solutions Manual

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College Accounting A Practical Approach (Canadian) 13th edition Slater Solutions Manual

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Debits and Credits: Analyzing and Recording Business Transactions

ANSWERS TO DISCUSSION QUESTIONS AND CRITICAL THINKING/ETHICAL CASE

1. *A ledger is a group of accounts that record in monetary value data from business transactions.*
2. *It is from the Latin word debere which means left side.*
3. *False. Accounts with one entry will not need footings.*
4. *The end product of the accounting process is preparing financial reports.*
5. *The transaction analysis chart is a teaching device that is not used in the regular accounting process.*
6. *Accounts affected, category, ↑ ↓ , rules, update of T accounts.*
7. *The analysis of transactions results in the total of debits being equal to total of credits. A double-entry system provides a system of checks and balances.*
8. *False. Informal report; does not have the same status as financial reports and is not shared with the public.*
9. *The financial reports are prepared from the ending balances of the accounts (debit or credit) in the ledger. These ending balances are then used in financial reports. The inside columns in financial reports are for sub-totaling.*
10. *It is easier to prepare the reports from the trial balance, because a list of all accounts and their balances is provided. The columns for revenue, expenses, etc., on the expanded accounting equation do not list specific titles and their balances.*
11. *The question in this case is whether Audrey should be allowed to put fictitious figures into the trial balance. Although Audrey has good intentions, this type of behavior cannot be tolerated. Her actions are extremely unprofessional and go against all accounting standards (not to mention ethics!). Instead of putting in fictitious figures, Audrey should stay late and correct the trial balance (or perhaps engage an assistant to help her so she could catch the plane).*

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SOLUTIONS TO CLASSROOM DEMONSTRATION EXERCISES

CDE1.	*Cash*	*$17 ,200*	*Debit Balance*
	C. Clark, Capital	*$11,000*	*Credit Balance*

CDE2.	*A.*	*Liability*	*Cr.*	*Dr.*	*Cr.*
	B.	*Revenue*	*Cr.*	*Dr.*	*Cr.*
	C.	*Asset*	*Dr.*	*Cr.*	*Dr.*
	D.	*Capital*	*Cr.*	*Dr.*	*Cr.*
	E.	*Withdrawals*	*Dr.*	*Cr.*	*Dr.*
	F.	*Expense*	*Dr.*	*Cr.*	*Dr.*
	G.	*Expense*	*Dr.*	*Cr.*	*Dr.*

CDE3.

Cash	*Asset*	↑	*Dr.*	*Cash* 600 |
Accounts Receivable	*Asset*	↑	*Dr.*	*Accounts Receivable* 1,900 |
Bookkeeping Services	*Revenue*	↑	*Cr.*	*Bookkeeping Fees* | 2,500

CDE4.	*Cash*	*CDE5.*	*A.*	*BS*
	Accounts Receivable		*B.*	*BS*
	Office Equipment		*C.*	*BS*
	Accounts Payable		*D.*	*BS*
	J. Joy, Capital		*E.*	*OE/BS*
	J. Joy, Withdrawals		*F.*	*OE*
	Hair Salon Fees Earned		*G.*	*IS*
	Advertising Expense		*H.*	*IS*
	Salary Expense		*I.*	*IS*
	Utility Expense		*J.*	*IS*
			K.	*IS*

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SOLUTIONS TO EXERCISES—SET A

E2-1A.

Balance Sheet Accounts
Assets
111 Cash
112 Accounts Receivable
121 Office Equipment
Liabilities
211 Accounts Payable
Owner's Equity
311 L. Jones, Capital
312 L. Jones, Withdrawals
Income Statement Accounts
Revenue
411 Legal Fees
Expenses
511 Advertising Expense
512 Repair Expense
513 Salary Expense

E2-2A.

1. *Accounts Affected*	*2.* *Category*	*3.* ↑ ↓	*4.* *Rules*	*5.* *T-Account Update*
Computer Equipment	*Asset*	↑	*Dr.*	*Computer Equipment* | *19,000* |
Accounts Payable	*Liability*	↑	*Cr.*	*Accounts Payable* | | *16,000*
Cash	*Asset*	↓	*Cr.*	*Cash* | | *3,000*

E2-3A.

ACCOUNT	*CATEGORY*	↑	↓	*FINANCIAL*
Supplies	*Asset*	*Dr.*	*Cr.*	*Balance Sheet*
Legal Fees Earned	*Revenue*	*Cr.*	*Dr.*	*Income Statement*
P. Rey, Withdrawals	*Owner's Equity (Withdrawals)*	*Dr.*	*Cr.*	*Statement of Owner's Equity*
Accounts Payable	*Liability*	*Cr.*	*Dr.*	*Balance Sheet*
Salaries Expense	*Expense*	*Dr.*	*Cr.*	*Income Statement*
Auto	*Asset*	*Dr.*	*Cr.*	*Balance Sheet*

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E2-4A.

	Dr.	*Cr.*
A.	*8*	*1*
B.	*6*	*1*
C.	*9*	*4*
D.	*1*	*7*
E.	*10*	*1*
F.	*3*	*5*
G.	*2*	*7*
H.	*1*	*2*
I.	*3*	*4*

E2-5A.

HUGO'S CLEANERS
INCOME STATEMENT
FOR THE MONTH ENDED JULY 31, 2019

Revenue:										
Cleaning Fees						$	5	0	4	00
Operating Expenses:										
Salaries Expense	$	1	7	5	00					
Utilities Expense			7	5	00					
Total Operating Expenses							2	5	0	00
Net Income						$	2	5	4	00

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HUGO'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR THE MONTH ENDED JULY 31, 2019

J. Hugo, Capital, July 1, 2019						$	8	5	3	00
Net Income for July	$	2	5	4	00					
Less: Withdrawals for July		1	1	5	00					
Decrease in Capital							1	3	9	00
J. Hugo Capital, July 31, 2019						$	9	9	2	00

HUGO'S CLEANERS
BALANCE SHEET
JULY 31, 2019

ASSETS						*LIABILITIES AND OWNER'S EQUITY*					
Cash	$	6	0	0	00	*Liabilities:*					
Equipment		6	9	2	00	*Accounts Payable*	$	3	0	0	00
						Owner's Equity					
						J. Hugo Capital		9	9	2	00
						Total Liabilities and					
Total Assets	$1	2	9	2	00	*Owner's Equity*	$1	2	9	2	00

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SOLUTIONS TO EXERCISES—SET B

E2-1B.

Balance Sheet Accounts
Assets
111 Cash
112 Accounts Receivable
121 Office Equipment
Liabilities
211 Accounts Payable
Owner's Equity
311 L. Jones, Capital
312 L. Jones, Withdrawals
Income Statement Accounts
Revenue
411 Legal Fees
Expenses
511 Cleaning Expense
512 Office Assistance Expense
513 Rent Expense

E2-2B.

1. *Accounts Affected*	*2.* *Category*	*3.* ↑↓	*4.* *Rules*	*5.* *T-Account Update*
Computer Equipment	*Asset*	↑	*Dr.*	*Computer Equipment* 21,000 |
Cash	*Asset*	↓	*Cr.*	*Cash* | 5,000
Accounts Payable	*Liability*	↑	*Cr.*	*Accounts Payable* | 16,000

E2-3B.

ACCOUNT	*CATEGORY*	↑	↓	*FINANCIAL*
Supplies	*Asset*	*Dr.*	*Cr.*	*Balance Sheet*
Legal Fees Earned	*Revenue*	*Cr.*	*Dr.*	*Income Statement*
P. Rey, Withdrawals	*Owner's Equity (Withdrawals)*	*Dr.*	*Cr.*	*Statement of Owner's Equity*
Cash	*Asset*	*Dr.*	*Cr.*	*Balance Sheet*
Accounts Receivable	*Asset*	*Dr.*	*Cr.*	*Balance Sheet*
Rent Expense	*Expense*	*Dr.*	*Cr.*	*Income Statement*

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E2-4B.

	Dr.	*Cr.*
A.	*8*	*1*
B.	*6*	*1*
C.	*9*	*4*
D.	*1*	*7*
E.	*10*	*1*
F.	*3*	*5*
G.	*2*	*7*
H.	*1*	*2*
I.	*3*	*4*

E2-5B.

HALL'S CLEANERS

INCOME STATEMENT

FOR THE MONTH ENDED JULY 31, 2019

Revenue:										
Cleaning Fees						$	7	4	8	0 0
Operating Expenses:										
Salaries Expense	$	2	5	0	0 0					
Utilities Expense			8	3	0 0					
Total Operating Expenses							3	3	3	0 0
Net Income						$	4	1	5	0 0

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HALL'S CLEANERS
STATEMENT OF OWNER'S EQUITY
FOR THE MONTH ENDED JULY 31, 2019

J. Hall, Capital, July 1, 2019						$	7	0	0	0 0
Net Income for July	$	4	1	5	0 0					
Less: Withdrawals for July		2	4	5	0 0					
Increase in Capital							1	7	0	0 0
J. Hall, Capital, July 31, 2019						$	8	7	0	0 0

HALL'S CLEANERS
BALANCE SHEET
JULY 31, 2019

ASSETS						*LIABILITIES AND OWNER'S EQUITY*					
Cash	$	7	5	0	0 0	*Liabilities:*					
Equipment		6	4	5	0 0	*Accounts Payable*	$	5	2	5	0 0
						Owner's Equity					
						J. Hall, Capital		8	7	0	0 0
						Total Liabilities and					
Total Assets	$1	3	9	5	0 0	*Owner's Equity*	$1	3	9	5	0 0

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P2-1A.

Accounts Affected	Category	Inc. ↑	Dec. ↑	Rules	T-Account Update
A. Cash	Asset	↑		Dr.	Cash: 21,000 | Bill O'Brien, Capital: 21,000
Bill O'Brien, Capital	Owner's Equity	↑		Cr.	
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks: 9,000 | Accounts Payable: 9,000
Accounts Payable	Liability	↑		Cr.	
C. Rent Expense	Expense	↑		Dr.	Rent Expense: 900 | Accounts Payable: 900
Accounts Payable	Liability	↑		Cr.	
D. Cash	Asset	↑		Dr.	Cash: 21,000, 1,400 | Fees Earned: 1,400
Fees Earned	Revenue	↑		Cr.	
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable: 150 | Fees Earned: 1,400
Fees Earned	Revenue	↑		Cr.	150
F. Bill O'Brien, Withdrawals	Owner's Equity (Withdrawals)	↑		Dr.	Bill O'Brien, Withdrawals: 400 | Cash: 21,000, 1,400 | 400
Cash	Asset		↑	Cr.	

P2-2A.

Cash 111

(A) 20,000	90 (D)
(C) 900	400 (E)
	1,000 (G)

Office Equipment 121

(B) 5,000	

Accounts Payable 211

(G) 1,000	5,000 (B)
	1,400 (F)

Bernie Pillows, Capital 311

	20,000 (A)

Bernie Pillows, Withdrawals 312

(D) 90	

Consulting Fees Earned 411

	900 (C)

Advertising Expense 511

(E) 400	

Rent Expense 512

(F) 1,400	

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P2-3A.

(a)

Cash			111
(A)	7,000	200	(D)
(G)	3,500	200	(E)
		400	(F)
		200	(H)
	10,500	900	(I)
		1,900	
	8,600		

Accounts Payable			211
(D)	200	1,300	(C)
		1,100	

Fees Earned			411
		8,000	(B)

Accounts Receivable			112
(B)	8,000	3,500	(G)
	4,500		

Barry Joy, Capital			311
		7,000	(A)

Rent Expense			511
(F)	400		

Office Equipment			121
(C)	1,300		
(H)	200		
	1,500		

Barry Joy, Withdrawals			312
(I)	900		

Utilities Expense			512
(E)	200		

(b)

BARRY'S CLEANING SERVICE
TRIAL BALANCE
MAY 31, 2019

	Dr.	Cr.
Cash	8,600.00	
Accounts Receivable	4,500.00	
Office Equipment	1,500.00	
Accounts Payable		1,100.00
Barry Joy, Capital		7,000.00
Barry Joy, Withdrawals	900.00	
Fees Earned		8,000.00
Rent Expense	400.00	
Utilities Expense	200.00	
Totals	16,100.00	16,100.00

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P2-4A.

(a)

GRACE LANTZ, BARRISTER AND SOLICITOR
INCOME STATEMENT
FOR THE MONTH ENDED MAY 31, 2019

Revenue:										
Revenue from Legal Fees						$	2	3	5	0 0
Operating Expenses:										
Utilities Expense	$	3	0	0	0 0					
Rent Expense		4	5	0	0 0					
Salaries Expense	1	1	5	0	0 0					
Total Operating Expenses						1	9	0	0	0 0
Net Income						$	4	5	0	0 0

(b)

GRACE LANTZ
BARRISTER AND SOLICITOR
STATEMENT OF OWNER'S EQUITY
FOR THE MONTH ENDED MAY 31, 2019

Grace Lantz, Capital, May 1, 2019						$1	2	7	5	0 0
Net Income for May	$	4	5	0	0 0					
Less: Withdrawals for May		3	0	0	0 0					
Increase in Capital							1	5	0	0 0
Grace Lantz, Capital, May 31, 2019						$1	4	2	5	0 0

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P2-4A., Cont.

(c)

GRACE LANTZ, BARRISTER AND SOLICITOR

BALANCE SHEET

MAY 31, 2019

ASSETS		LIABILITIES AND OWNER'S EQUITY	
Assets:		*Liabilities:*	
Cash	$5 000	*Accounts Payable*	$4 300
Accounts Receivable	650	*Salaries Payable*	675
Office Equipment	750	*Total Liabilities*	$ 4 975
		Owner's Equity	
		Grace Lantz, Capital	1 425
		Total Liabilities and	
Total Assets	$6 400	*Owner's Equity*	$6 400

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P2-5A.

1. 2.

Cash		111
(A)	30,000	1,500 (C)
(E)	2,400	500 (D)
(J)	600	900 (F)
		1,100 (G)
		250 (K)
	33,000	4,250
	28,750	

Accounts Receivable		112
(H)	900	600 (J)
	300	

Office Equipment		121
(C)	1,500	

Delivery Trucks		122
(B)	14,000	

Accounts Payable		211
		14,000 (B)
		100 (I)
		14,100

G. Adler, Capital		311
		30,000 (A)

T. Adler, Withdrawals		312
(K)	250	

Delivery Fees Earned		411
		2,400 (E)
		900 (H)
		3,300

Advertising Expense		511
(D)	500	

Gas Expense		512
(G)	1,100	

Salaries Expense		513
(F)	900	

Telephone Expense		514
(I)	100	

(3)

ADLER'S DELIVERY SERVICE
TRIAL BALANCE
JULY 31, 2020

	Dr.	Cr.
Cash	28,750.00	
Accounts Receivable	300.00	
Office Equipment	1,500.00	
Delivery Trucks	14,000.00	
Accounts Payable		14,100.00
G. Adler, Capital		30,000.00
G. Adler, Withdrawals	250.00	
Delivery Fees Earned		3,300.00
Advertising Expense	500.00	
Gas Expense	1,100.00	
Salaries Expense	900.00	
Telephone Expense	100.00	
Totals	47,400.00	47,400.00

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P2-5A, Cont.

(4a)

ADLER'S DELIVERY SERVICE
INCOME STATEMENT
FOR THE MONTH ENDED JULY 31, 2020

Revenue:										
Delivery Fees Earned						$	3	3	0	0 0
Operating Expenses:										
Advertising Expense	$	5	0	0	0 0					
Gas Expense	1	1	0	0	0 0					
Salaries Expense		9	0	0	0 0					
Telephone Expense		1	0	0	0 0					
Total Operating Exenses						2	6	0	0	0 0
Net Income						$	7	0	0	0 0

(4b)

ADLER'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR THE MONTH ENDED JULY 31, 2020

G. Adler, Capital, July 1, 2020									$	0 0
Investment in July						3	0	0	0	0 0
Total investment for July						3	0	0	0	0 0
Net Income for July	$	7	0	0	0 0					
Less: Withdrawals for July		2	5	0	0 0					
Increase in Capital							4	5	0	0 0
G. Adler, Capital, July 31, 2020						$3	4	5	0	0 0

(4c)

ADLER'S DELIVERY SERVICE
BALANCE SHEET
JULY 31, 2020

ASSETS						*LIABILITIES AND OWNER'S EQUITY*					
						Liabilities					
Cash	$28	7	5	0	0 0	*Accounts Payable*	$1 4	1	0	0	0 0
Accounts Receivable		3	0	0	0 0						
Office Equipment	1	5	0	0	0 0	*Owner's Equity*					
Delivery Trucks	1 4	0	0	0	0 0	*A. Adler, Capital*	3 0	4	5	0	0 0
						Total Liabilities and					
Total Assets	$44	5	5	0	0 0	*Owner's Equity*	$44	5	5	0	0 0

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P2-1B.

Accounts Affected	Category	Inc. ↑	Dec. ↓	Rules	T-Account Update
A. Cash	Asset	↑		Dr.	Cash: (A) 25,000 | L. Saunders, Capital: 25,000 (A)
L. Saunders, Capital	Capital	↑		Cr.	
B. Delivery Trucks	Asset	↑		Dr.	Delivery Trucks: (B) 12,000 | Accounts Payable: 12,000 (B)
Accounts Payable	Liability	↑		Cr.	
C. Rent Expense	Expense	↑		Dr.	Rent Expense: (C) 1,100 | Accounts Payable: 12,000 (B); 1,100 (C)
Accounts Payable	Liability	↑		Cr.	
D. Cash	Asset	↑		Dr.	Cash: (A) 25,000; (D) 1,500 | Delivery Fees Earned: 1,500 (D)
Delivery Fees Earned	Revenue	↑		Cr.	
E. Accounts Receivable	Asset	↑		Dr.	Accounts Receivable: (E) 600 | Delivery Fees Earned: 1,500 (D); 600 (E)
Delivery Fees Earned	Revenue	↑		Cr.	
F. L. Saunders, Withdrawals	Withdrawals	↑		Dr.	L. Saunders, Withdrawals: (F) 700 | Cash: (A) 25,000; (D) 1,500; 700 (F)
Cash	Asset		↓	Cr.	

P2-2B.

BAUMAN'S CONSTRUCTION REPAIR SHOP

BALANCE SHEET

APRIL 30, 2020

Assets		Liabilities and Equity	
Cash	$12,600.00	Accounts payable	$69,300.00
Accounts receivable	$94,500.00	Loan Payable	$56,700.00
Construction Supplies	$28,350.00	Total Liabilites	$126,000.00
Equipment	$44,100.00	R. Bauman, Capital	$53,550.00
Total Assets	$179,550.00	Total Liabilities and Equity	$179,550.00

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P2-3B.

(a)

Cash		111
(A) 10,000	4,000	(C)
(F) 4,000	310	(D)
(G) 2,000	50	(E)
	600	(H)
16,000	4,960	
11,040		

Accounts Payable		211
	2,000	(B)

Fees Earned		411
	4,000	(F)
	4,000	(G)
	8,000	

Accounts Receivable		112
(G) 2,000		

Barry Joy, Capital		311
	10,000	(A)

Rent Expense		511
(D) 310		

Office Equipment		121
(B) 2,000		
(C) 4,000		
6,000		

Barry Joy, Withdrawals		312
(H) 600		

Utilities Expense		512
(E) 50		

(b)

BARRY'S CLEANING SERVICE
TRIAL BALANCE
MAY 31, 2019

	Dr.	Cr.
Cash	11 0 4 0 0 0	
Accounts Receivable	2 0 0 0 0 0	
Office Equipment	6 0 0 0 0 0	
Accounts Payable		2 0 0 0 0 0
Barry Joy, Capital		10 0 0 0 0 0
Barry Joy, Withdrawals	6 0 0 0 0 0	
Fees Earned		8 0 0 0 0 0
Rent Expense	3 1 0 0 0 0	
Utilities Expense	5 0 0 0 0	
Totals	20 0 0 0 0 0	20 0 0 0 0 0

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P2-4B.

(a)

GRETCHEN LYMAN, BARRISTER AND SOLICITOR

INCOME STATEMENT

FOR THE MONTH ENDED MAY 31, 2020

Revenue:										
Revenue from Legal Fees						1	3	5	0	0 0
Operating Expenses:										
Utilities Expense	$	3	0	0	0 0					
Rent Expense	30	0	0	0	0 0					
Salaries Expense		1	0	0	0 0					
Total Operating Expenses							7	0	0	0 0
Net Income							6	5	0	0 0

(b)

GRETCHEN LYMAN

BARRISTER AND SOLICITOR

STATEMENT OF OWNER'S EQUITY

FOR THE MONTH ENDED MAY 31, 2020

Gretchen Lyman, Capital, May 1, 2020						5	7	9	5	0 0
Net Income for May	$	6	5	0	0 0					
Less: Withdrawals for May		1	7	5	0 0					
Increase in Capital							4	7	5	0 0
Gretchen Lyman, Capital, May 31, 2020						6	2	7	0	0 0

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P2-4B., Cont.

(c)

GRETCHEN LYMAN
BARRISTER AND SOLICITOR
BALANCE SHEET
MAY 31, 2020

ASSETS						*LIABILITIES AND OWNER'S EQUITY*									
Assets:						*Liabilities:*									
Cash	*7*	*0*	*0*	*0*	*0 0*	*Accounts Payable*	*2*	*9*	*0*	*0*	*0 0*				
Accounts Receivable		*8*	*0*	*0*	*0 0*	*Salaries Payable*		*9*	*3*	*0*	*0 0*				
Office Equipment	*2*	*3*	*0*	*0*	*0 0*	*Total Liabilities*						*3*	*8*	*3*	*0*	*0 0*
						Owner's Equity										
						Gretchen Lyman, Capital						*6*	*2*	*7*	*0*	*0 0*
						Total Liabilities and										
Total Assets	*10*	*1*	*0*	*0*	*0 0*	*Owner's Equity*						*10*	*1*	*0*	*0*	*0 0*

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P2-5B.

1., 2., 3.

Cash 111

(A) 40,000	2,500 (D)
(E) 13,000	1,850 (F)
(J) 1,600	750 (G)
	400 (I)
	88 (K)
54,600	5,588
49,012	

Accounts Receivable 112

(H) 5,500	1,600 (J)
3,900	

Office Equipment 121

(C) 2,500	

Delivery Trucks 122

(B) 25,000	

Accounts Payable 211

	25,000 (B)
	800 (C)
	25,800

Alice Angel, Capital 311

	40,000 (A)

Alice Angel, Withdrawals 312

(K) 88	

Delivery Fees Earned 411

	13,000 (E)
	5,500 (H)
	18,500

Advertising Expense 511

(C) 800	

Gas Expense 512

(G) 750	

Salaries Expense 513

(F) 1,850	

Telephone Expense 514

(I) 400	

4.

ANGEL'S DELIVERY SERVICE
TRIAL BALANCE
MARCH 31, 2019

	Dr.	Cr.
Cash	49 0 1 2 0 0	
Accounts Receivable	3 9 0 0 0 0	
Office Equipment	2 5 0 0 0 0	
Delivery Trucks	25 0 0 0 0 0	
Accounts Payable		25 8 0 0 0 0
Alice Angel, Capital		40 0 0 0 0 0
Alice Angel, Withdrawals	8 8 0 0	
Delivery Fees Earned		18 5 0 0 0 0
Advertising Expense	8 0 0 0 0	
Gas Expense	7 5 0 0 0	
Salaries Expense	1 8 5 0 0 0	
Telephone Expense	4 0 0 0 0	
Totals	84 3 0 0 0 0	84 3 0 0 0 0

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P2-5B., Cont.

5.(a)

ANGEL'S DELIVERY SERVICE
INCOME STATEMENT
FOR THE MONTH ENDED MARCH 31, 2019

Revenue:										
Delivery Fees Earned						$18	5	0	0	00
Operating Expenses:										
Advertising Expense	$	8	0	0	00					
Gas Expense		7	5	0	00					
Salaries Expense	1	8	5	0	00					
Telephone Expense		4	0	0	00					
Total Operating Exenses						3	8	0	0	00
Net Income						$14	7	0	0	00

5.(b)

ANGEL'S DELIVERY SERVICE
STATEMENT OF OWNER'S EQUITY
FOR THE MONTH ENDED MARCH 31, 2019

A. Angel, Capital, March 1, 2019						$40	0	0	0	00
Net Income for March	$14	7	0	0	00					
Less: Withdrawals for March			8	8	00					
Increase in Capital						14	6	1	2	00
A. Angel, Capital, March 31, 2019						$54	6	1	2	00

5.(c)

ANGEL'S DELIVERY SERVICE
BALANCE SHEET
MARCH 31, 2019

ASSETS						*LIABILITIES AND OWNER'S EQUITY*					
Assets:						*Liabilities:*					
Cash	$49	0	1	2	00	*Accounts Payable*	$25	8	0	0	00
Accounts Receivable	3	9	0	0	00						
Office Equipment	2	5	0	0	00	*Owner's Equity:*					
Delivery Trucks	2	5	0	0	00	*A. Angel, Capital*	54	6	1	2	00
Total Assets	$80	4	1	2	00	*Total Liabilities and Owner's Equity*	$80	4	1	2	00

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P2-1C.

		Balance Sheet			Income Statement
		Total Assets	Total Liab.	Equity	Net Income
1	Owner invests cash.....	+		+	
2	Pay wages with cash.....	–		–	–
3	Perform services on credit.....	+		+	+
4	Buy store equipment for cash.....	+/–			
5	Borrow cash with note payable.....	+	+		
6	Perform services for cash.....	+		+	+
7	Perform services on credit.....	+		+	+
8	Pay rent with cash.....	–		–	–
9	Owner withdraws cash.....	–		–	
10	Collect receivable from (7).....	+/–			

P2-2C.

JORDAN'S DELVERY SERVICE
BALANCE SHEET
DECEMBER 31, 2018

ASSETS		LIABILITIES	
Cash	$28,000.00	Accounts payable	$10,000.00
Accounts receivable	5,000.00		
Office supplies	2,000.00		
Computer equipment	12,000.00	Equity	
Delivery equip.	61,000.00	J. Good, capital	269,000.00[1]
Total assets	$279,000.00	Total liabilities and equity	$279,000.00

JORDAN'S DELVERY SERVICE
BALANCE SHEET
DECEMBER 31, 2019

ASSETS		LIABILITIES	
Cash	$20,000.00	Accounts payable	$30,000.00
Accounts receivable	6,000.00	Loan payable	520,000.00
Office supplies	2,500.00	Total liabilities	550,000.00
Computer equipment	120,000.00		
Delivery equip.	61,000.00		
Building	650,000.00	Equity	
		J. Good, capital	386,000.00[2]
Total assets	$936,000.00	Total liabilities and equity	$936,000.00

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Calculations:

1. $279,000 – $10,000 = $269,000 (calculation of unknown capital amount)
2. $936,000 – $550,000 = $386,000 (calculation of unknown capital amount)

Part 2

Calculation of net income for 2019:

J. Good, Capital December 31, 2018	$269,000
+ Owner investment	50,000
+ Net income (loss)	?
– Owner withdrawals	24,000
= J. Good, capital December 31, 2019	$386,000

OR

$269,000 + $50,000 + ? – $24,000 = $386,000; ? = $91,000

P2-3C.

(a)

Cash		***111***
(A) 6,000	***4,000 (B)***	
(F) 3,500	***340 (D)***	
(G) 3,000	***150 (E)***	
	600 (H)	
12,500	***5,090***	
7,410		

Accounts Receivable		***112***
(G) 1,000		

Equipment		***121***
(B) 4,000		
(C) 500		
4,500		

Accounts Payable		***211***
	500 (C)	

Linda Miyagawa, Capital		***311***
	6,000 (A)	

Linda Miyagawa Withdrawals		***312***
(H) 600		

Fees Eearned		***411***
	3,500 (F)	
	4,000 (G)	
	7,500	

Rent Expense		***511***
(D) 340		

Utilities Expense		***512***
(E) 150		

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(b)

LINDA'S CONSULTING SERVICE

TRIAL BALANCE

OCTOBER 31, 2020

	Dr.	Cr.
Cash	7 4 1 0 0 0	
Accounts Receivable	1 0 0 0 0 0	
Equipment	4 5 0 0 0 0	
Accounts Payable		5 0 0 0 0
Linda Miyagawa, Capital		6 0 0 0 0 0
Linda Miyagawa, Withdrawals	6 0 0 0 0 0	
Fees Earned		7 5 0 0 0 0
Rent Expense	3 4 0 0 0 0	
Utilities Expense	1 5 0 0 0 0	
Totals	14 0 0 0 0 0	14 0 0 0 0 0

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P2-4C.

HOLLY'S ACCOUNTING SERVICES
INCOME STATEMENT
FOR THE MONTH ENDED JULY 31, 2020

Revenue:										
Accounting Fees Earned						$2	0	0	0	0 0
Expenses:										
Salaries Expense	$1	6	0	0	0 0					
Rent Expense		6	0	0	0 0					
Total Expenses						($2	2	0	0)	0 0
Net Loss						($	2	0	0)	0 0

HOLLY'S ACCOUNTING SERVICE
STATEMENT OF OWNERS' EQUITY
FOR THE MONTH ENDED JULY 31, 2020

Beg. Capital Balance, H. Good						$5	4	8	0	0 0
Less: Net Loss	$	2	0	0	0 0					
Withdrawls	1	5	0	0	0 0	(1	7	0	0)	0 0
End Capital Balance, H. Good						$3	7	8	0	0 0

HOLLY'S ACCOUNTING SERVICE
BALANCE SHEET
JULY 31, 2020

Assets						*Liabilities & Equity*						
Cash	$2	0	0	0	0 0	*Accounts Payable*	$	5	2	0	0 0
Accounts Receivable	1	9	0	0	0 0	*Loan Payable*	1	6	0	0	0 0
Prepaid Insurance		6	0	0	0 0	*Total Liabilites*	2	1	2	0	0 0
Office Equipment	1	4	0	0	0 0	*H. Good, Capital*	3	7	8	0	0 0
Total Assets	$5	9	0	0	0 0	*Total Liabilities & Equity*	$5	9	0	0	0 0

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P2-5C

RANCH COMPANY
TRIAL BALANCE
JUNE 30, 2020

	Dr.	Cr.
Cash	4 9 0 0 0	
Accounts Receivable	6 2 0 0 0	
Office Equipment	3 6 5 0 0	
Accounts Payable		1 1 5 0 0
Wages Payable		1 0 0 0
H. Clo, Capital		6 3 5 0 0
H. Clo, Withdrawals	1 4 4 0 0 0	
Professional Fees		2 4 2 0 0 0
Rent Expense	2 4 0 0 0	
Advertising Expense	2 5 0 0 0	
Totals	3 1 8 0 0 0	3 1 8 0 0 0

Note: 1. The Cash account subtraction error means the amount in Cash is overstated.
2. The normal balance of Accounts Receivable is a debit. Therefore, the $635 should have been on the debit side. ($15 from the $635 = $620.) Accounts Receivable would be severely understated if not corrected.
3. The normal balance of Accounts Payable, Wages Payable and Capital (H. Clo, Capital) is a credit. All understated.
4. Before recording the office equipment on account, Assets and money owed (Accounts Payable) would be understated.
5. Revenue being understated would mean net income would be lower than actual.
6. Expense accounts are normally debit accounts. Therefore, Rent Expense would be understated.
To avoid this problem, Ranch Co. might insist that Andy take a course in accounting at a local college. He obviously needs more experience/training before he can be trusted to handle the company's books. Better supervision may help somewhat, but the real solution is in getting a bookkeeper who is accurate and well trained.

P2-6C

Situation	Totals of Trial Balance	Effect on Accounts
1	Will balance, but be understated by $765.	Cash overstated by $765 and equipment understated by $765.
2	Will not balance.	Cash overstated by $200.
3	Will balance but be overstated by $400.	Capital and Accounts Receivable overstated by $400.
4	Will balance but be overstated by $360.	Accounts Payable overstated by $360 and Cash overstated by $400. Supplies understated by $40.
5	Trial Balance will balance with the correct amount.	Supplies overstated and Equipment understated by $800.
6	Trial Balance will not balance.	Cash overstated by $36.

Mistakes can be avoided in the future by carefully checking entries.

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CONTINUING PROBLEM

1., 2., 3.

Cash		1000
	3,850	150 (l)
(p)	900	200 (m)
		1,400 (n)
		85 (q)
		50 (r)
	4,750	1,885
	2,865	

Accounts Receivable		1020
(o)	850	

Supplies		1030
	250	
(s)	200	
	450	

Computer Shop Equipment		1080
	1,200	

Office Equipment		1090
	600	

Accounts Payable		2000
(m)	200	335
(q)	85	155 (k)
		200 (s)
	285	690
		405

T. Freedman, Capital		3000
		4,500

T. Freedman, Withdrawals		3010
	100	

Service Revenue		4000
		1,650
		850 (o)
		900 (p)
		3,400

Advertising Expense		5010
(n)	1,400	

Rent Expense		5020
	400	

Utilities Expense		5030
	85	

Phone Expense		5040
(k)	155	

Supplies Expense		5050

Insurance Expense		5060
(l)	150	

Postage Expense		5070
(r)	50	

4.

PRECISION COMPUTER CENTRE
TRIAL BALANCE
JUNE 30, 2019

Cash	2	8	6	5	0 0					
Accounts Receivable		8	5	0	0 0					
Supplies		4	5	0	0 0					
Computer Shop Equipment	1	2	0	0	0 0					
Office Equipment		6	0	0	0 0					
Accounts Payable							4	0	5	0 0
T. Freedman, Capital						4	5	0	0	0 0
T. Freedman, Withdrawals		1	0	0	0 0					
Service Revenue						3	4	0	0	0 0
Advertising Expense	1	4	0	0	0 0					
Rent Expense		4	0	0	0 0					
Utilities Expense			8	5	0 0					
Phone Expense		1	5	5	0 0					
Insurance Expense		1	5	0	0 0					
Postage Expense			5	0	0 0					
Total	8	3	0	5	0 0	8	3	0	5	0 0

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CONTINUING PROBLEM, Cont.

5.

PRECISION COMPUTER CENTRE
INCOME STATEMENT
FOR THE TWO MONTHS ENDED JUNE 30, 2019

Revenue:										
Service Revenue						$	3	4	0	0 0
Operating Expenses:										
Advertising Expense	$	1	4	0	0 0					
Insurance Expense			1	5	0 0					
Phone Expense			1	5	5 0 0					
Postage Expense				5	0 0					
Rent Expense			4	0	0 0					
Utilities Expense				8	5 0 0					
Total Operating Expenses							2	2	4	0 0
Net Income						$	1	1	6	0 0

PRECISION COMPUTER CENTRE
STATEMENT OF OWNER'S EQUITY
FOR THE TWO MONTHS ENDED JUNE 30, 2019

T. Freedman, Capital Contributed, May 1, 2019						$	4	5	0	0 0
Net Income for the two months	$	1	1	6	0 0					
Less: Withdrawals			1	0	0 0					
Increase in Capital							1	0	6	0 0
T. Freedman, Capital, June 30, 2019						$	5	5	6	0 0

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PRECISION COMPUTER CENTRE

BALANCE SHEET

JUNE 30, 2019

ASSETS		*LIABILITIES AND OWNER'S EQUITY*	
Assets:		*Liabilities:*	
Cash	$ 2 8 6 5 0 0	*Accounts Payable*	$ 4 0 5 0 0
Accounts Receivable	8 5 0 0 0		
Supplies	4 5 0 0 0	*Owner's Equity:*	
Computer Shop Equipment	1 2 0 0 0 0	*T. Freedman, Capital*	5 5 6 0 0 0
Office Equipment	6 0 0 0 0		
		Total Liabilities and	
Total Assets	$ 5 9 6 5 0 0	*Owner's Equity*	$ 5 9 6 5 0 0

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Chapter 2

Class Quiz

1. Explain the following: Capital doesn't mean Cash.
   Answer: Capital could include other assets, such as equipment, as well as cash.

2. True or false: Revenue is reported on the balance sheet.
   Answer: False. Revenue is reported on the income statement.

3. True or false: Withdrawals are expenses on the income statement.
   Answer: False. Withdrawals are not business expenses; they are reported on the statement of owner's equity. (Withdrawals are for personal use.)

4. Complete the statement: As expenses increase, owner's equity _____.
   Answer: decreases.

5. Transaction C (p. 55) is an example of a(n) _____ in assets.
   Answer: increase.

6. Transaction F (p. 56) is an example of a(n) _____ in assets.
   Answer: shift

7. True or false: To Catherine Hall, legal fees are an asset.
   Answer: False. Legal fees are revenue, a subdivision of owner's equity.

8. A debit goes on the left side of the T-Account
   Answer: False. Debits are on the right side of the T-Account.

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Accounting Recall

A Cumulative Approach

PART 1 - Vocabulary Review

Match each term on the left side with the appropriate definition or phrase in the right-hand column.

Page Ref.			
(63)	1.	Trial balance	A. Total remains the same
(48)	2.	Debit	B. Entering numbers on right side
(52)	3.	Normal balance	C. Subdivisions of owner's equity
(14)	4.	Revenue	D. Group of accounts
(48)	5.	Crediting	E. Numbering system
(12)	6.	Balance sheet	F. Left side of an account
(9)	7.	Shift in assets	G. Prepared as of a particular date
(52)	8.	Chart of accounts	H. Not an asset
(47)	9.	Ledger	I. Side of account that increases it
(18)	10.	Capital, withdrawals, revenue, expenses	J. List of the ledger balances

PART 2 - True or False (Accounting Theory)

(48) 11. A debit always means increase.
(64) 12. There are no debit or credit columns on financial statements.
(63) 13. The trial balance lists only the ending figure for capital that goes on the balance sheet.
(59) 14. An increase in a withdrawal is a credit.
(63) 15. The trial balance is not a formal report.

Solutions to Accounting Recall

This Examination Reviews Chapters 1 and 2

PART 1

1. J 2. F 3. I 4. H 5. B 6. G 7. A 8. E 9. D 10. C

PART 2

11. False; depends on the category
12. True
13. False; the beginning balance shows up on the trial balance

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14. False; debit
15. True

Points to Stress

1. Stress at the outset that the words debit and credit only mean a *position*. Later we will discuss the rules of debit and credit and how they govern which side numbers are placed on.

2. Rules for normal balance are the same as for an increase.

3. Note how the rules for revenue and expenses work in the *opposite* direction.

4. Note that the names in Column 1 of the transaction analysis charts come from the chart of accounts, as do the account numbers in Column 5.

5. Go over the solutions to the Self-Review Quiz 2–2 (p. 60) to reinforce the point that arrows can go up or down but the sum of the left must equal the sum of the right.

6. Using the trial balance in Figure 2–2 (p. 64) have students identify the report on which each item will appear. (Example: Withdrawals go on the statement of owner's equity.)

7. The trial balance is an informal report used to *prepare* formal reports like the balance sheet.

8. The figure for net income is used to update the statement of owner's equity.

9. The ending figure for capital on the statement of owner's equity is used to update the balance sheet.

10. The two columns on the trial balance represent debit and credit; however, there are no debits or credits shown on the formal statements even if the statement has two columns.

11. The trial balance is listed in the same order as the ledger accounts.

12. On a trial balance, there is only one number for each account — the ending debit or credit balance.

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Business World Notes

1. A business may have 50 or more accounts (sometimes thousands) to keep track of and therefore it is not practical to use the equation format we used in Chapter 1 to record transactions.

2. Accountants do not actually write out a transaction analysis chart before they record a transaction, but they go through the exact same steps mentally.

3. Computers are very useful in maintaining the equality of debits and credits. But, computers are not a complete substitute for clear thinking on the part of accounting clerks and related personnel.

4. The double-entry system provides built-in protection against errors. If debits do not equal credits, then the accountant knows that there is an error in the records which must be corrected.

5. A double-entry system is not as necessary for a sole-proprietorship or partnership as it is for a corporation. Point out that if a standard double-entry system is too cumbersome for a small business there are alternative methods of keeping business records. Note, however, that the cash method is not permitted for tax purposes. Books kept on the cash basis must be converted to the accrual basis at year end.

6. If the accounts are out of balance and a trial balance is not prepared before the financial statement preparation, you would not know there was an error until all three statements were completed and you found the balance sheet wouldn't balance.

7. The trial balance does not necessarily need to be written out. Many accountants find it is sufficient to run an adding machine tape to show that debits equal credits. Computer accounting software will print a trial balance at the push of a button.

Class Activities

1. Draw this T-account on the board:

200	500
300	50

   Show students how to balance it and foot it.

2. Have students turn to Self-Review Quiz 2–2 (p. 60) and explain which transaction in the chapter parallels Transaction D. Have them explain the difference between a withdrawal and a business expense.

3. Go back to the rules of debit and credit in Learning Unit 2–1 (p. 48) and have students review the chart out loud in class.

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4. Using the information and accounts in Self-Review Quiz 2–2 (p. 60) have students categorize each account, its normal balance, and the report on which each account will be found.

   Answers: Cash: Asset, Dr. balance, balance sheet
   Accounts Receivable: Asset, Dr. balance, balance sheet
   Equipment: Asset, Dr. balance, balance sheet
   Accounts Payable: Liability, Cr. balance, balance sheet
   Jamie King, Capital: Capital, Cr. balance, statement of owner's equity and balance sheet
   Jamie King, Withdrawals: Withdrawals, Dr. balance, statement of owner's equity
   Professional Fees: Revenue, Cr. balance, income statement
   Utilities Expense: Expense, Dr. balance, income statement
   Salaries Expense: Expense, Dr. balance, income statement

5. Have students go over pp. 53-59 to see how the ledger is built up. Discuss the footings. Show them one title at a time how the trial balance is built on p. 64 from p. 63.

Teaching Tips

1. Talk about *arbitrary* rules. For example, in baseball there are nine innings and in football there are four quarters; the rules could be switched between the two sports and still work as long as everybody used the same ones. In accounting, the rules of debit and credit are also arbitrary; they could be switched and still work as long as the sum of the left sides equal the sum of the right sides.

2. Withdrawals are always increased by a dr (debit).

3. Use the acronym:

Debit	Credit
Assets	Capital
Withdrawals	Liabilities
Expenses	Revenue

   Now it's all clear!

4. This is an ideal time to use the transparency or a handout that shows how to complete a transaction analysis chart.

5. Point out the position of the arrows in the two transaction charts for transactions B and C. Have students explain why arrows go up and down in the chart for transaction B, and the transaction still balances; while on the chart for transaction C, both arrows go up and that transaction also balances.

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Typical Student Misconceptions

1. Students tend to think of the debit and credit at their bank meaning debit is money coming out and credit is money going in. They also believe that "Debit is bad; credit is good." To get students over this, emphasize instead these meanings:
   - Debit means the left side of any account.
   - Credit means the right side of any account.

2. Use the new section that details how nautical terms are in some ways similar to accounting terms, in that they have both a general meaning, as well as a meaning that is unique to that sector of the economy. You may have another example you could use here Golf, for instance might be an understandable illustration for some students.

3. Students think that there is only one chart of accounts for all businesses. Emphasize that there are many possible charts of accounts for different businesses — in fact, there are books available that provide sample charts of accounts for all types of businesses and for whole industries (for a hair salon, for the plumbing industry, etc.). Have them turn to Chapter 12 (p. 545) to see a more complex chart of accounts than this one. You could also point out that most accounting software comes with several good and useful charts of accounts.

4. Students think that all of the arrows in the transactional analysis chart must "balance." Emphasize that the arrows can go all up or all down or some up and some down as long as the sum of the left side equals the sum of the right side in the accounts.

5. Students think that legal fees are an asset. Stress that legal fees are revenue, which is a subdivision of owner's equity. It is true that revenue will provide an inward flow of assets.

6. Students often think that expenses are liabilities. To clear up this misconception, point to Transaction I, showing that an expense may *create* a liability if the expense is not paid. An expense is *not* the same thing as a liability. Expenses are a subdivision of owner's equity; liabilities are not.

Check Figures for Exercises

Set A

E2-1A. Cash, 111; Accts. Rec., 112; Office Equip., 121; Accts. Pay., 211; L. Jones, Capital, 311; L. Jones, Withdrawals, 312; Legal Fees, 411; Advertising Exp., 511; Repair Exp., 512; Salary Exp., 513.

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E2-2A.

Computer Equipment	$19,000 Dr	
Accounts Payable	$16,000 Dr	
Cash	$ 3,000 Cr	

E2-3A. Legal Fees Earned: Revenue, Cr, Dr, IS; P. Rey, Withdrawals: Owner's Equity (Withdrawals), Dr, Cr, SOE; Accounts Payable, Liab, Cr, Dr, BS; Salaries Expense: Exp., Dr., Cr, I.S.; Auto, Asset, Dr, Cr, BS

E2-4A.

A.	8,1	F.	3,5
B.	6,1	G.	2,7
C.	9,4	H.	1,2
D.	1,7	I.	3,4
E.	10 1		

E2-5A.

Net Income:	$254
J. Hall, Capital, 7/31/19:	$992
Total Assets:	$1,292

Set B

E2-1B. Cash, 111; Accts. Rec., 112; Office Equip., 121; Accts. Pay., 211; L. Jones, Capital, 311; L. Jones, Withdrawals, 312; Legal Fees, 411; Cleaning Exp., 511; Office Assistance Exp., 512; Rent Exp., 513.

E2-2B.

Computer Equipment	$21,000 Dr	
Accounts Payable	$16,000 Cr	
Cash	$ 5,000 Cr	

E2-3B. Legal Fees Earned, Rev., Cr., Dr., IS
P. Rey, Withdrawals: Owner's Equity (Withdrawals), Dr., Cr., SOE
Cash, Asset, Dr., Cr., BS
A/R, Asset, Dr., Cr., BS
Rent Expense: Exp., Dr., Cr., IS

E2-4B.

A.	8,1	F.	3,5
B.	6,1	G.	2,7
C.	9,4	H.	1,2
D.	1,7	I.	3,4
E.	10,1		

E2-5B.

Net Income:	$415
J. Hall, Capital, 7/31/16:	$870
Total Assets:	$1,395

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Check Figures for Continuing Problem

1. Cash Dr. $2,865.00

2. Trial Balance $8,305.00

3. Net Income $1,160.00
   O/E $5,560.00
   Total Assets $5,965.00

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Chapter 3

Class Quiz

1. Complete these statements: (Review of Chapter 2)

   a. Assets are increased by _____. (debits)
   b. Liabilities are decreased by _____. (debits)
   c. Withdrawals are increased by _____. (debits)
   d. Revenue is increased by _____. (credits)
   e. The normal balance of an expense is a _____. (debit)
   f. Accounts are located in a book called a _____. (ledger)
   g. A _____ _____ is a list of the ledger ending balances. (trial balance)

2. True or false:

   a. A fiscal year is 8 months. (false)
   b. A year end report is called an interim report. (false)
   c. A ledger "links" debit and credit transactions together for one account on one page. (true)
   d. The chart of accounts aids in the journalizing and posting process. (true)
   e. An expense can create a liability. (true)

3. What is the normal balance of each of the following?

   Cash (Dr.)
   Accounts Payable (Cr.)
   Jones, Capital (Cr.)
   Pizza Revenue (Cr.)
   Salary Expense (Dr.)
   Jones, Withdrawals (Dr.)

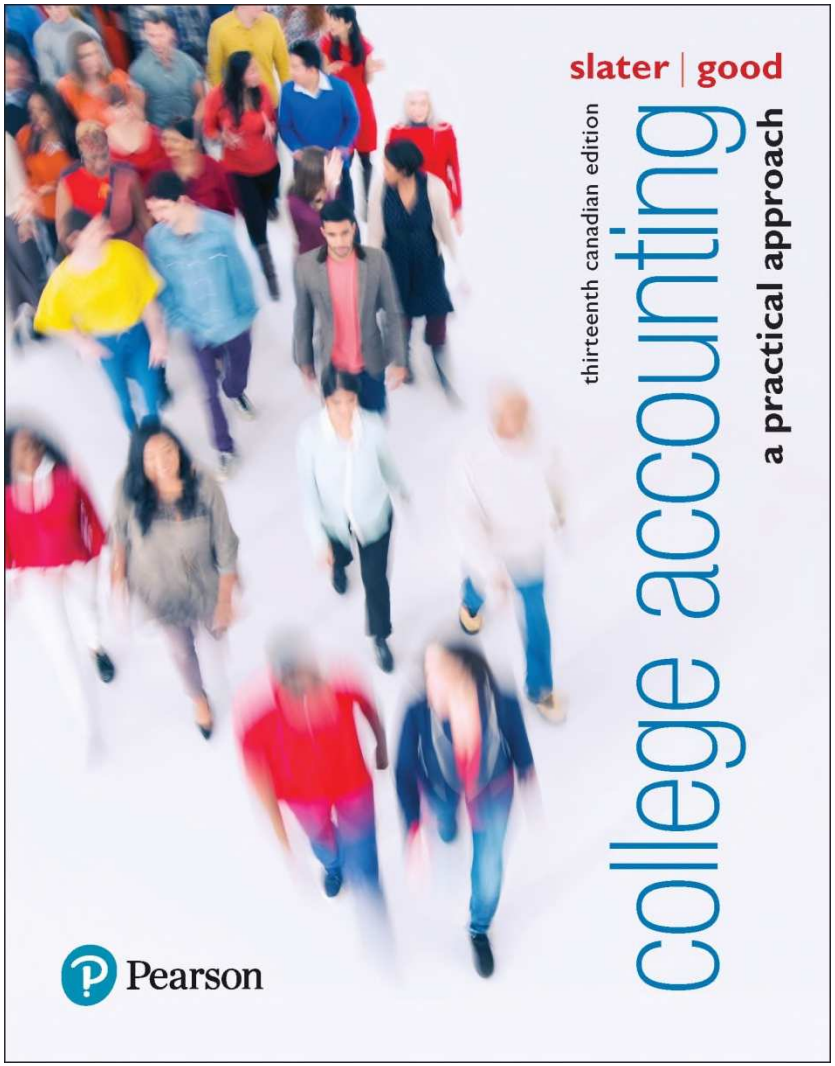
4. True or false:

   a. A trial balance is a formal report. (false)
   b. A transposition is the result of adding or deleting zeroes in writing numbers. (false)
   c. The balance of each account on the trial balance must be its normal balance. (false)

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College Accounting

Thirteenth Canadian Edition



Chapter 2

Debits and Credits:
Analyzing and Recording
Business Transactions

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Learning Objective 1 – LO-1

Recording transactions in T accounts according to the rules of debit and credit

LO-1

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T Account (1 of 2)

- Device used to record increases and decreases of business transactions
- Establish an account for each individual asset, liability, capital, withdrawal, revenue, expense

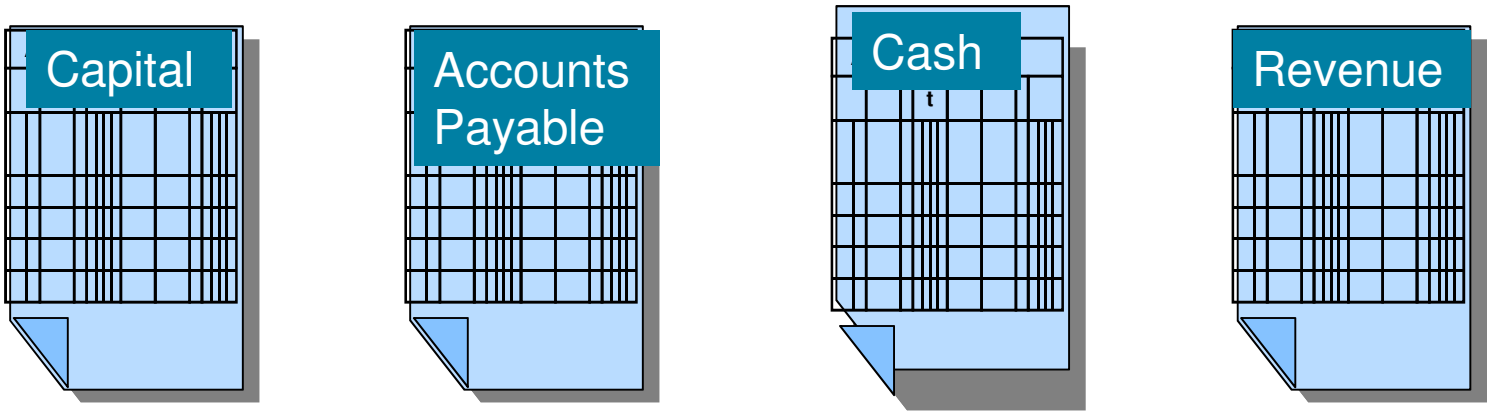
LO-1

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General Ledger

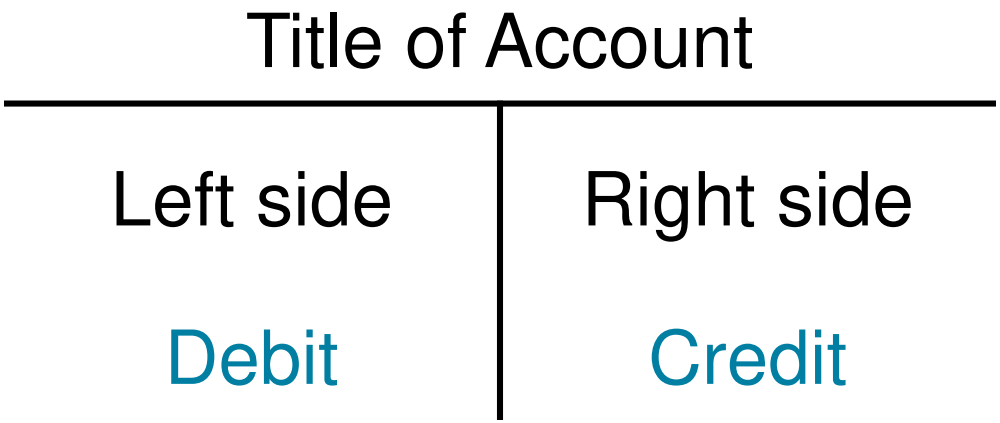
- Group of accounts that records data from business transactions



LO-1

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T Account (2 of 2)



LO-1

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General Ledger – T Account

- T Account looks like the General Ledger Account and is used for learning purposes

Telephone Expense — Acct. No. 513

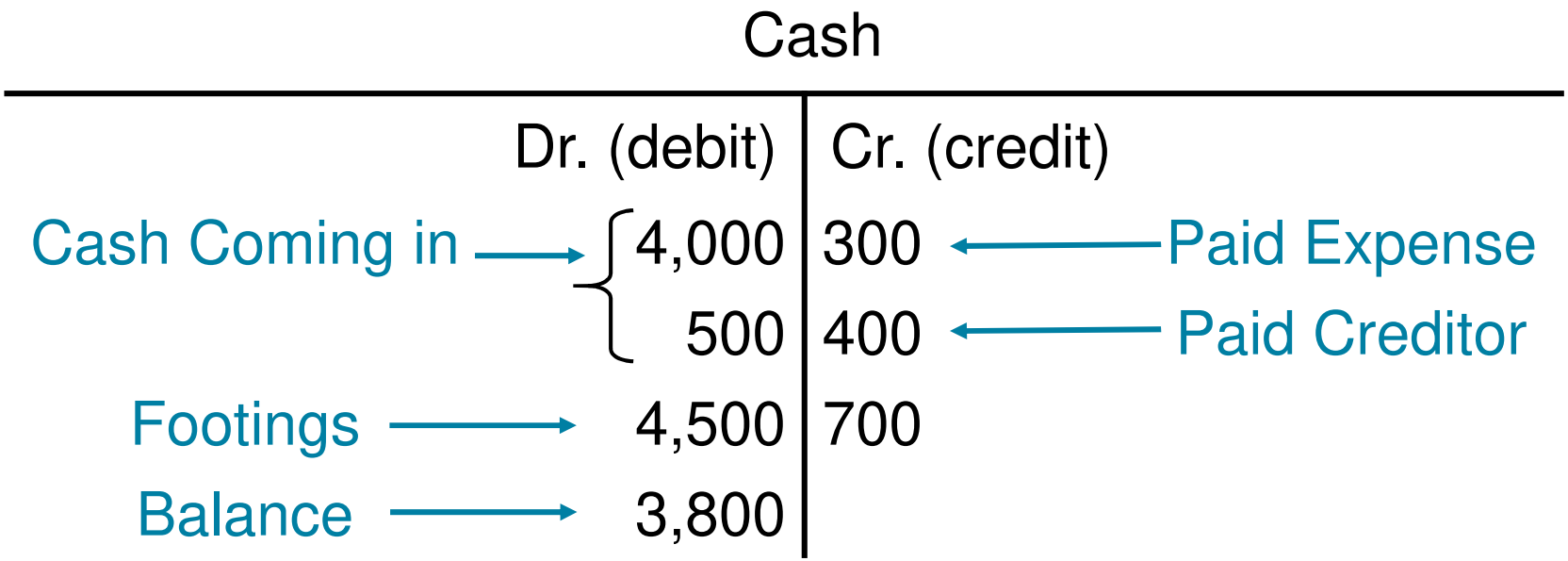
Date	Explanation	PR	Debit	Credit	Dr. or Cr.	Balance
2019 May 29		GJ3	1 8 0 00		Dr.	1 8 0 00

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LO-1

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Footings and Balance



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Learning Objective 2 – LO-2

Setting up and organizing a chart of accounts

LO-2

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Rules of Debit and Credit (1 of 2)

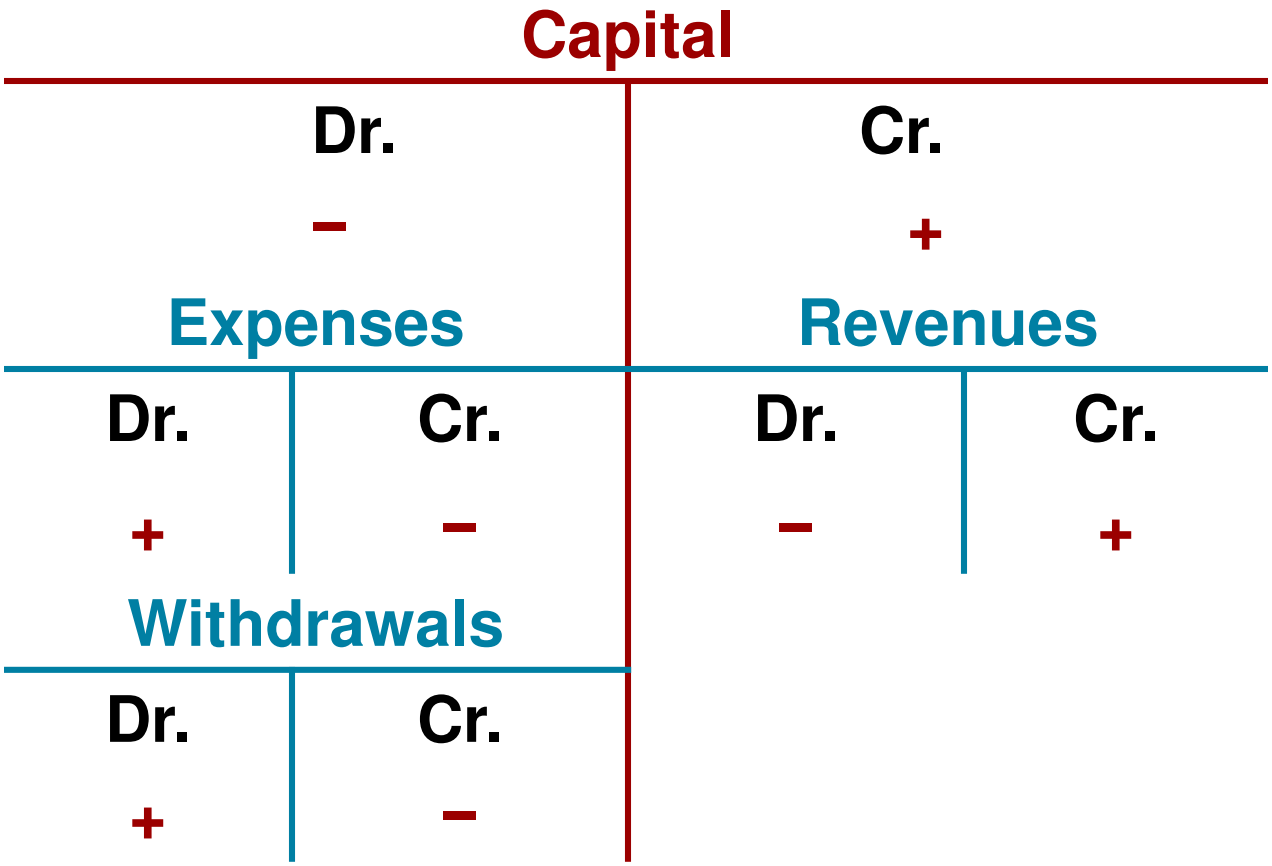
Assets		=	Liabilities		+	Owner's Equity	
Dr.	Cr.		Dr.	Cr.		Dr.	Cr.
+	−		−	+		−	+

LO-2

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Rules of Debit and Credit (2 of 2)



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Normal Balances

Dr.	Cr.
Assets	Capital
Withdrawals	Liabilities
Expenses	Revenue

LO-2

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Chart of Accounts

- A numbering system of accounts that lists the account titles and account numbers to be used by a company

Sample Chart of Accounts for a Service Co.			
Balance Sheet Accounts			
Assets 100s		***Liabilities 200s***	
101	Cash	201	Accounts Payable
110	Accounts Receivable	***Owner's Equity 300s***	
120	Supplies	301	Owner, Capital
		302	Owner, Withdrawals

Income Statement Accounts			
Blank	***Revenue 400s***	***Expenses 500s***	
411	Ser vice Fees Earned	510	Advertising Expense
		514	Utilities Expense
		522	Salaries Expense

LO-2

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Double-Entry Bookkeeping

- System in which the recording of each transaction affects two or more accounts
- Debits and Credits must equal

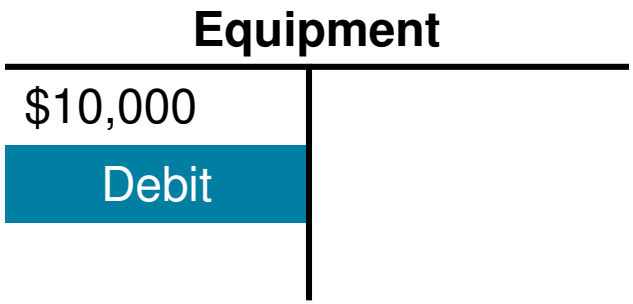
LO-2

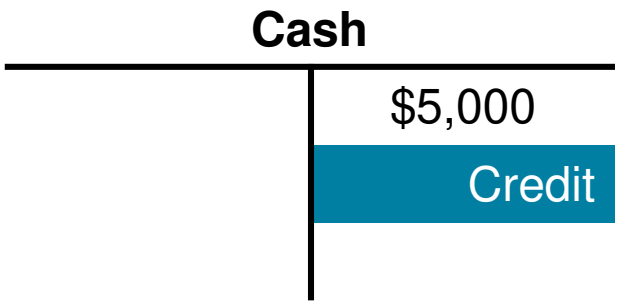
Pearson

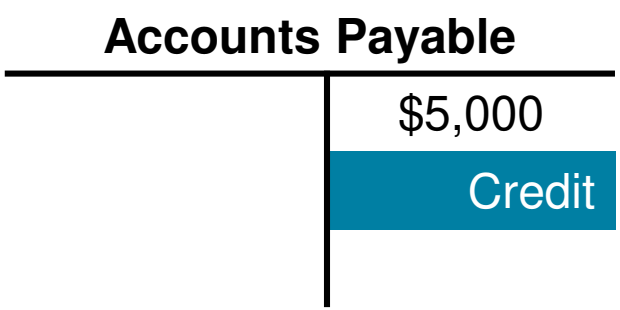
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Compound Entries

- A transaction that involves more than one credit or debit







Debits and credits are equal after a piece of equipment is purchased for $10,000 with half being paid in cash and half being put on account.

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Problem P2-5B (1 of 2)

This comprehensive problem will be used to illustrate the steps in recording transactions and reporting financial information covered in this chapter.

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The Transaction Analysis

Step 1: Which accounts are affected?

Step 2: Determine which category accounts belong to.

Step 3: Determine whether accounts increase or decrease.

Step 4: What do the rules of debits and credits say?

Step 5: Place amounts into T accounts.

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Problem P2-5B (2 of 2)

Chart of Accounts for Angel's Delivery Service			
Balance Sheet Accounts			
Assets		***Liabilities***	
111	Cash	211	Accounts Payable
112	Accounts Receivable	***Owner's Equity***	
121	Office Equipment	311	Alice Angel, Capital
122	Delivery Trucks	312	Alice Angel, Withdrawals
Income Statement Accounts			
Revenue		***Expenses***	
411	Delivery Fees Earned	511	Advertising Expense
		512	Gas Expense
		513	Salaries Expense
		514	Telephone Expense

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Transaction A

Step 1: Which accounts are affected?	
Cash	**Alice Angel, Capital**
Step 2: Which category does the account belong to?	
Assets	**Owner's Equity**
Step 3: Is the account increasing/decreasing?	
Increasing	**Increasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

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Cash	
Dr.	Cr.
A) 40,000	

Accounts Payable	
Dr.	Cr.

Advertising Expense	
Dr.	Cr.

Accounts Receivable	
Dr.	Cr.

Angel, Capital	
Dr.	Cr.
	A) 40,000

Gas Expense	
Dr.	Cr.

Office Equipment	
Dr.	Cr.

Angel, Withdrawals	
Dr.	Cr.

Salaries Expense	
Dr.	Cr.

Delivery Trucks	
Dr.	Cr.

Delivery Fees Earned	
Dr.	Cr.

Telephone Expense	
Dr.	Cr.

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Transaction B

Step 1: Which accounts are affected?	
Delivery Truck	**Accounts Payable**
Step 2: Which category does the account belong to?	
Assets	**Liabilities**
Step 3: Is the account increasing/decreasing?	
Increasing	**Increasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

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Cash	
Dr.	Cr.
A) 40,000	

Accounts Payable	
Dr.	Cr.
	B) 25,000

Advertising Expense	
Dr.	Cr.

Accounts Receivable	
Dr.	Cr.

Angel, Capital	
Dr.	Cr.
	A) 40,000

Gas Expense	
Dr.	Cr.

Office Equipment	
Dr.	Cr.

Angel, Withdrawals	
Dr.	Cr.

Salaries Expense	
Dr.	Cr.

Delivery Trucks	
Dr.	Cr.
B) 25,000	

Delivery Fees Earned	
Dr.	Cr.

Telephone Expense	
Dr.	Cr.

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Transaction C

Step 1: Which accounts are affected?	
Advertising Expense	**Accounts Payable**
Step 2: Which category does the account belong to?	
Expenses	**Liabilities**
Step 3: Is the account increasing/decreasing?	
Increasing	**Increasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

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Cash

Dr.	Cr.
A) 40,000	

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.

Office Equipment

Dr.	Cr.

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.

Telephone Expense

Dr.	Cr.

LO-2

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Transaction D

Step 1: Which accounts are affected?	
Office Equipment	**Cash**
Step 2: Which category does the account belong to?	
Asset	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.

Office Equipment

Dr.	Cr.
D) 2,500	

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.

Telephone Expense

Dr.	Cr.

LO-2

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Transaction E

Step 1: Which accounts are affected?	
Cash	**Delivery Fees Earned**
Step 2: Which category does the account belong to?	
Asset	**Revenue**
Step 3: Is the account increasing/decreasing?	
Increasing	**Increasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.

Office Equipment

Dr.	Cr.
D) 2,500	

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000

Telephone Expense

Dr.	Cr.

LO-2

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Transaction F

Step 1: Which accounts are affected?	
Salaries Expense	**Cash**
Step 2: Which category does the account belong to?	
Expense	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.

Office Equipment

Dr.	Cr.
D) 2,500	

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.
F) 1,850	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000

Telephone Expense

Dr.	Cr.

LO-2

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Transaction G

Step 1: Which accounts are affected?	
Gas Expense	**Cash**
Step 2: Which category does the account belong to?	
Expense	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	G) 750

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.
G) 750	

Office Equipment

Dr.	Cr.
D) 2,500	

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.
F) 1,850	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000

Telephone Expense

Dr.	Cr.

LO-2

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Transaction H

Step 1: Which accounts are affected?	
Accounts Receivable	**Delivery Fees Earned**
Step 2: Which category does the account belong to?	
Asset	**Revenue**
Step 3: Is the account increasing/decreasing?	
Increasing	**Increasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	G) 750

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.
H) 5,500	

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.
G) 750	

Office Equipment

Dr.	Cr.

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.
F) 1,850	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

Telephone Expense

Dr.	Cr.

LO-2

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Transaction I

Step 1: Which accounts are affected?	
Telephone Expense	**Cash**
Step 2: Which category does the account belong to?	
Expense	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
	G) 750
	I) 400

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Advertising Expense

Dr.	Cr.
C) 800	

Accounts Receivable

Dr.	Cr.
H) 5,500	

Angel, Capital

Dr.	Cr.
	A) 40,000

Gas Expense

Dr.	Cr.
G) 750	

Office Equipment

Dr.	Cr.

Angel, Withdrawals

Dr.	Cr.

Salaries Expense

Dr.	Cr.
F) 1,850	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

Telephone Expense

Dr.	Cr.
I) 400	

LO-2

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Transaction J

Step 1: Which accounts are affected?	
Cash	**Accounts Receivable**
Step 2: Which category does the account belong to?	
Asset	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400

Accounts Receivable

Dr.	Cr.
H) 5,500	J) 1,600

Office Equipment

Dr.	Cr.
D) 2,500	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Angel, Capital

Dr.	Cr.
	A) 40,000

Angel, Withdrawals

Dr.	Cr.

Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

Advertising Expense

Dr.	Cr.
C) 800	

Gas Expense

Dr.	Cr.
G) 750	

Salaries Expense

Dr.	Cr.
F) 1,850	

Telephone Expense

Dr.	Cr.
I) 400	

LO-2

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Transaction K

Step 1: Which accounts are affected?	
Alice Angel, Withdrawals	**Cash**
Step 2: Which category does the account belong to?	
Withdrawal	**Asset**
Step 3: Is the account increasing/decreasing?	
Increasing	**Decreasing**
Step 4: Debit or credit?	
Debit	**Credit**
Step 5: Place amounts into accounts.	

LO-2

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400
	K) 88

Accounts Receivable

Dr.	Cr.
H) 5,500	J) 1,600

Office Equipment

Dr.	Cr.
D) 2,500	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800

Angel, Capital

Dr.	Cr.
	A) 40,000

Angel, Withdrawals

Dr.	Cr.
K) 88	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500

Advertising Expense

Dr.	Cr.
C) 800	

Gas Expense

Dr.	Cr.
G) 750	

Salaries Expense

Dr.	Cr.
F) 1,850	

Telephone Expense

Dr.	Cr.
I) 400	

LO-2

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Review Rules of Debit & Credit

Account Category	Increase (Normal Balance)	Decrease
Assets	Debit	Credit
Liabilities	Credit	Debit
Owner's Equity		
Capital	Credit	Debit
Withdrawals	Debit	Credit
Revenue	Credit	Debit
Expense	Debit	Credit

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Learning Objective 3 – LO-3

Preparing a trial balance

LO-3

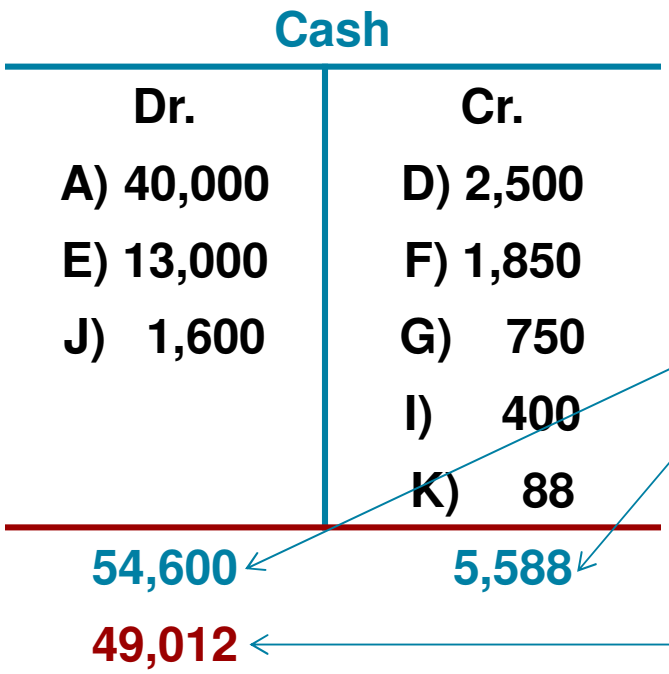
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Footing

- Add total debits and total credits in each account
- Determine each account balance



Footings

Notice the ending account balance appears on the debit side because that side is larger.

LO-3

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Cash

Dr.	Cr.
A) 40,000	D) 2,500
E) 13,000	F) 1,850
J) 1,600	G) 750
	I) 400
	K) 88
54,600	5,588
49,012	

Accounts Receivable

Dr.	Cr.
H) 5,500	J) 1,600
3,900	

Office Equipment

Dr.	Cr.
D) 2,500	

Delivery Trucks

Dr.	Cr.
B) 25,000	

Accounts Payable

Dr.	Cr.
	B) 25,000
	C) 800
	25,800

Angel, Capital

Dr.	Cr.
	A) 40,000

Angel, Withdrawals

Dr.	Cr.
K) 88	

Delivery Fees Earned

Dr.	Cr.
	E) 13,000
	H) 5,500
	18,500

Advertising Expense

Dr.	Cr.
C) 800	

Gas Expense

Dr.	Cr.
G) 750	

Salaries Expense

Dr.	Cr.
F) 1,850	

Telephone Expense

Dr.	Cr.
I) 400	

LO-3

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Trial Balance

- List of the ending balances of all the accounts in a ledger
- Total debits should equal total credits
- List in same order as they appear in chart of accounts

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Learning Objective 4 – LO-4

Preparing financial statements from a trial balance

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Angel's Delivery Service			
Trial Balance			
March 31, 2019			
Acct #		Dr.	Cr.
111	Cash	49,012	
112	Accounts Receivable	3,900	
121	Office Equipment	2,500	
122	Delivery Truck	25,000	
211	Accounts Payable		25,800
311	Alice Angel, Capital		40,000
312	Alice Angel, Withdrawals	88	
411	Delivery Fees Earned		18,500
511	Advertising Expense	800	
512	Gas Expense	750	
513	Salaries Expense	1,850	
514	Telephone Expense	400	
	Totals	84,300	84,300

Balance Sheet Accounts

Statement of Owner's Equity Accounts

Income Statement Accounts

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Problem P2-5B continued (1 of 3)

Angel's Delivery Service
Income Statement
For the Month Ended March 31, 2019

Revenue:		
Delivery Fees Earned		$18,500
Operating Expenses:		
Advertising Expense	$ 800	
Gas Expense	750	
Telephone Expense	400	
Salaries Expense	1,850	
Total Operating Expenses		3,800
Net Income		$ 14,700

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Problem P2-5B continued (2 of 3)

Angel's Delivery Service
Statement of Owner's Equity
For the Month Ended March 31, 2019

Alice Angel, Capital, March 1, 2019		$40,000
Net Income for March	$14,700	
Less: Withdrawals for March	88	
Increase in Capital		14,612
Alice Angel, Capital, March 31, 2019		$54,612

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Problem P2-5B continued (3 of 3)

Angel's Delivery Service
Balance Sheet
March 31, 2019

Assets		Liabilities and Owner's Equity	
Cash	$49,012	Accounts Payable	$25,800
Accounts Receivable	3,900	Owner's Equity	
Office Equipment	2,500	Alice Angel, Capital	54,612
Delivery Truck	25,000	Total Liabilities &	
Total Assets	$80,412	Owner's Equity	$80,412

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Additional Practice

MyAccountingLab offers excellent practice opportunities, including:

- Self Review Videos
- Student PowerPoints
- Flashcards
- Practice Tests and more

In addition to MyAccountingLab, there are exercises and problems at the end of chapter, using the check figures provided in the margins of your textbook.

The more you practice, the more fluid you become.

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End of Chapter 2

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