Accounting Principles 13th edition Weygandt Solutions Manual

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CHAPTER 2

The Recording Process

ASSIGNMENT CLASSIFICATION TABLE

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

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ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1A	Journalize a series of transactions.	Easy	20–30
2A	Journalize transactions, post, and prepare a trial balance.	Easy	30–40
3A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50
4A	Prepare a correct trial balance.	Moderate	30–40
5A	Journalize transactions, post, and prepare a trial balance.	Moderate	40–50

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ANSWERS TO QUESTIONS

1. A T account has the following parts: (a) the title, (b) the left or debit side, and (c) the right or credit side.

LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

2. Disagree. The terms debit and credit mean left and right respectively.

LO 1 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

3. Pete is incorrect. The double-entry system merely records the dual effect of a transaction on the accounting equation. A transaction is not recorded twice; it is recorded once, with a dual effect.

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

4. Melissa is incorrect. A debit balance only means that debit amounts exceed credit amounts in an account. Conversely, a credit balance only means that credit amounts are greater than debit amounts in an account. Thus, a debit or credit balance is neither favorable nor unfavorable.

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

5. (a) Asset accounts are increased by debits and decreased by credits.
(b) Liability accounts are decreased by debits and increased by credits.
(c) Revenues and owner's capital are increased by credits and decreased by debits. Expenses and owner's drawing are increased by debits and decreased by credits.

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

6. (a) Accounts Receivable—debit balance.
(b) Cash—debit balance.
(c) Owner's Drawings—debit balance.
(d) Accounts Payable—credit balance.
(e) Service Revenue—credit balance.
(f) Salaries and Wages Expense—debit balance.
(g) Owner's Capital—credit balance.

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

7. (a) Accounts Receivable—asset—debit balance.
(b) Accounts Payable—liability—credit balance
(c) Equipment—asset—debit balance.
(d) Owner's Drawings—owner's equity—debit balance.
(e) Supplies—asset—debit balance.

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

8. (a) Debit Supplies and credit Accounts Payable.
(b) Debit Cash and credit Notes Payable.
(c) Debit Salaries and Wages Expense and credit Cash.

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

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

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

Questions Chapter 2 (Continued)

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

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

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

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

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

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

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

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

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

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

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

LO 3 BT: C Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

16. (a)

Cash		7,000	
Owner's Capital			7,000
(Invested cash in the business)			

(b)

Prepaid Insurance		800	
Cash			800
(Paid one-year insurance policy)			

(c)

Supplies		2,000	
Accounts Payable			2,000
(Purchased supplies on account)			

(d)

Cash		8,500	
Service Revenue			8,500
(Received cash for services performed)			

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LO 2 BT: AP Difficulty: Moderate TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

Questions Chapter 2 (Continued)

17. (a) The entire group of accounts maintained by a company, including all the asset, liability, and owner's equity accounts, is referred to collectively as the ledger.
(b) A chart of accounts is a list of accounts and the account numbers that identify their location in the ledger. The chart of accounts is important, particularly for a company that has a large number of accounts, because it helps organize the accounts and define the level of detail that a company desires in its accounting system.

LO 3 BT: K Difficulty: Easy TOT: 3 min. AACSB: None AICPA FC: Measurement, Reporting

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

LO 4 BT: K Difficulty: Easy TOT: 2 min. AACSB: None AICPA FC: Measurement

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

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

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

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

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

LO 1 BT: K Difficulty: Easy TOT: 1 min. AACSB: None AICPA FC: Measurement

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SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 2-1

		(a) Debit Effect	(b) Credit Effect	(c) Normal Balance
1.	Accounts Payable	Decrease	Increase	Credit
2.	Advertising Expense	Increase	Decrease	Debit
3.	Service Revenue	Decrease	Increase	Credit
4.	Accounts Receivable	Increase	Decrease	Debit
5.	Owner's Capital	Decrease	Increase	Credit
6.	Owner's Drawings	Increase	Decrease	Debit

LO 1 BT: C Difficulty: Easy TOT: 7 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-2

		Account Debited	Account Credited
June	1	Cash	Owner's Capital
	2	Equipment	Accounts Payable
	3	Rent Expense	Cash
	12	Accounts Receivable	Service Revenue

LO 1 BT: C Difficulty: Easy TOT: 5 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-3

June	1	Cash	5,000	
		Owner's Capital		5,000
	2	Equipment	3,600	
		Accounts Payable		3,600
	3	Rent Expense	800	
		Cash		800
	12	Accounts Receivable	400	
		Service Revenue		400

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

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BRIEF EXERCISE 2-4

The basic steps in the recording process are:

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

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

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

LO 2 BT: C Difficulty: Moderate TOT: 6 min. AACSB: None AICPA FC: Measurement

BRIEF EXERCISE 2-5

		(a) Effect on Accounting Equation	(b) Debit-Credit Analysis
Aug.	1	The asset Cash is increased; the owner's equity account Owner's Capital is increased.	Debits increase assets: debit Cash $9,000. Credits increase owner's equity: credit Owner's Capital $9,000.
	4	The asset Prepaid Insurance is increased; the asset Cash is decreased.	Debits increase assets: debit Prepaid Insurance $2,100. Credits decrease assets: credit Cash $2,100.
	16	The asset Cash is increased; the revenue Service Revenue is increased.	Debits increase assets: debit Cash $3,600. Credits increase revenues: credit Service Revenue $3,600.
	27	The expense Salaries and Wages Expense is increased; the asset Cash is decreased.	Debits increase expenses: debit Salaries and Wages Expense $1,000. Credits decrease assets: credit Cash $1,000.

LO 2 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

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BRIEF EXERCISE 2-6

Aug.	1	Cash	9,000	
		Owner's Capital		9,000
	4	Prepaid Insurance	2,100	
		Cash		2,100
	16	Cash	3,600	
		Service Revenue		3,600
	27	Salaries and Wages Expense	1,000	
		Cash		1,000

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

BRIEF EXERCISE 2-7

Cash

5/12	4,200		
5/15	3,000		
Ending Bal.	7,200		

Service Revenue

		5/5	5,400
		5/15	3,000
		Ending Bal.	8,400

Accounts Receivable

5/5	5,400	5/12	4,200
Ending Bal.	1,200		

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-8

Cash

Date	Explanation	Ref.	Debit	Credit	Balance
May 12		J1	4,200		4,200
15		J1	3,000		7,200

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BRIEF EXERCISE 2-8 (Continued)

Accounts Receivable

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1	5,400		5,400
12		J1		4,200	1,200

Service Revenue

Date	Explanation	Ref.	Debit	Credit	Balance
May 5		J1		5,400	5,400
15		J1		3,000	8,400

LO 3 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

BRIEF EXERCISE 2-9

AMARO COMPANY
Trial Balance
June 30, 2020

	Debit	Credit
Cash	$ 5,800	
Accounts Receivable	3,000	
Equipment	17,000	
Accounts Payable		$ 8,100
Owner's Capital		15,000
Owner's Drawings	1,200	
Service Revenue		10,000
Salaries and Wages Expense	5,100	
Rent Expense	1,000	
	$33,100	$33,100

[($5,800 + $3,000 + $17,000 + $1,200 + $5,100 + $1,000) = ($8,100 + $15,000 + $10,000)]
[(Cash + Accts. rec. + Equip. + Owner's draws. + Sal. & wages exp. + Rent exp.) = (Accts. pay. + Owner's cap. +Serv. rev.)]
LO 4 BT: AP Difficulty: Easy TOT: 5 min. AACSB: Analytic AICPA FC: Measurement

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BRIEF EXERCISE 2-10

SHAUSHANK COMPANY
Trial Balance
December 31, 2020

	Debit	Credit
Cash	$10,600	
Prepaid Insurance	3,500	
Accounts Payable		$ 3,000
Unearned Service Revenue		2,200
Owner's Capital		9,000
Owner's Drawings	4,500	
Service Revenue		25,400
Salaries and Wages Expense	18,600	
Rent Expense	2,400	
	$39,600	$39,600

[($10,600 + $3,500 + $4,500 + $18,600 + $2,400) = ($3,000 + $2,200 + $9,000 + $25,400)]
[(Cash + Prepd. ins. + Owner's draws. + Sal. & wages exp. + Rent exp.) = (Accts. pay. + Unearn. serv. rev. + Owner's cap. + Serv. rev.)]
LO 4 BT: AN Difficulty: Moderate TOT: 7 min. AACSB: Analytic AICPA FC: Measurement

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SOLUTIONS FOR DO IT! EXERCISES

DO IT! 2-1

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

Cash (debit balance)	**Equipment (debit balance)**
Supplies (debit balance)	**Accounts Payable (credit balance)**
Notes Payable (credit balance)	**Owner's Capital (credit balance)**

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

DO IT! 2-2

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

1.	**Cash**	**6,500**	
	Owner's Capital		**6,500**
2.	**Supplies**	**1,200**	
	Cash		**400**
	Accounts Payable		**800**

3. No entry because no transaction has occurred.

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

DO IT! 2-3

Cash

4/1	**1,600**	**4/16**	**700**
4/3	**3,400**	**4/20**	**250**
4/30	**4,050**		

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

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DO IT! 2-4

MACON COMPANY
Trial Balance
December 31, 2020

	Debit	Credit
Cash	$ 6,000	
Accounts Receivable	8,000	
Supplies	7,000	
Equipment	80,000	
Notes Payable		$ 20,000
Accounts Payable		11,000
Salaries and Wages Payable		3,000
Owner's Capital		28,000
Owner's Drawings	9,000	
Service Revenue		90,000
Rent Expense	4,000	
Salaries and Wages Expense	38,000	
	$152,000	$152,000

[($6,000 + $8,000 + $7,000 + $80,000 + $9,000 + $4,000 + $38,000) = ($20,000 + $11,000 + $3,000 + $28,000 + $90,000)]
[(Cash + Accts. rec. + Supp. + Equip. + Owner's draws. + Rent exp. + Sal. & wages exp.) = (Notes pay. + Accts. pay. + Sal. & wages pay. + Owner's cap. + Serv. rev.)]
LO 4 BT: AP Difficulty: Easy TOT: 7 min. AACSB: Analytic AICPA FC: Measurement

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SOLUTIONS TO EXERCISES

EXERCISE 2-1

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

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

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

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

5. **True.**

LO 1 BT: K Difficulty: Easy TOT: 4 min. AACSB: None AICPA FC: Measurement

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EXERCISE 2-2

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

LO 1 BT: C Difficulty: Easy TOT: 12 min. AACSB: None AICPA FC: Measurement

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EXERCISE 2-3

General Journal **J1**

Date		Account Titles and Explanation	Ref.	Debit	Credit
Jan.	2	Cash		10,000	
		Owner's Capital			10,000
	3	Equipment		3,000	
		Cash			3,000
	9	Supplies		600	
		Accounts Payable			600
	11	Accounts Receivable		2,400	
		Service Revenue			2,400
	16	Advertising Expense		350	
		Cash			350
	20	Cash		900	
		Accounts Receivable			900
	23	Accounts Payable		300	
		Cash			300
	28	Owner's Drawings		1,000	
		Cash			1,000

LO2 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-4

Oct. 1 Debits increase assets: debit Cash $17,000.
Credits increase owner's equity: credit Owner's Capital $17,000.

2 No transaction.

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

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EXERCISE 2-4 (Continued)

Oct. 6 Debits increase assets: debit Accounts Receivable $3,800.
Credits increase revenues: credit Service Revenue $3,800.

27 Debits decrease liabilities: debit Accounts Payable $1,300.
Credits decrease assets: credit Cash $1,300.

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

LO1 BT: C Difficulty: Easy Tot: 8 min. AACSB: None AICPA FC: Measurement

EXERCISE 2-5

General Journal

Date	Account Titles and Explanation	Ref.	Debits	Credit
Oct. 1	Cash		17,000	
	Owner's Capital			17,000
2	No entry.			
3	Equipment		1,900	
	Accounts Payable			1,900
6	Accounts Receivable		3,800	
	Service Revenue			3,800
27	Accounts Payable		1,300	
	Cash			1,300
30	Salaries and Wages Expense		2,500	
	Cash			2,500

LO2 BT: AP Difficulty: Easy Tot: 8 min. AACSB: Analytic AICPA FC: Measurement

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EXERCISE 2-6

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

(b)

1.	Cash	5,000	
	Notes Payable		5,000
2.	Equipment	3,900	
	Cash		3,900
3.	Supplies	650	
	Accounts Payable		650

LO1, 2 BT: AP Difficulty: Easy Tot: 8 min. AACSB: Analytic AICPA FC: Measurement

EXERCISE 2-7

(a) Assets = Liabilities + Owner's Equity

1.	+	+	(Investment)
2.	–	–	(Expense)
3.	+	+	(Revenue)
4.	–	–	(Drawings)

(b)

1.	Cash	4,000	
	Owner's Capital		4,000
2.	Rent Expense	840	
	Cash		840
3.	Accounts Receivable	5,200	
	Service Revenue		5,200
4.	Owner's Drawings	750	
	Cash		750

LO1, 2 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Measurement

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EXERCISE 2-8

General Journal

Date		Account Titles	Debit	Credit
March	1	Rent Expense	1,200	
		Cash		1,200
	3	Accounts Receivable	160	
		Service Revenue		160
	5	Cash	75	
		Service Revenue		75
	8	Equipment	600	
		Cash		90
		Accounts Payable		510
	12	Cash	160	
		Accounts Receivable		160
	14	Salaries and Wages Expense	525	
		Cash		525
	22	Utilities Expense	72	
		Cash		72
	24	Cash	1,500	
		Notes Payable		1,500
	27	Repairs Expense	220	
		Cash		220
	28	Accounts Payable	510	
		Cash		510
	30	Prepaid Insurance	1,800	
		Cash		1,800

LO 2 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Measurement

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EXERCISE 2-9

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

LO 2 BT: AP Difficulty: Moderate TOT: 12 min. AACSB: Analytic AICPA FC: Measurement

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EXERCISE 2-10

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

LO3 BT: K Difficulty: Easy Tot: 4 min. AACSB: None AICPA FC: Measurement

EXERCISE 2-11

(a)

Cash

Aug.	1	5,000	Aug.	12	2,300
	10	2,600			
	31	900			
Bal.		6,200			

Accounts Receivable

Aug.	25	1,700	Aug.	31	900
Bal.		800			

Equipment

Aug.	12	5,000			

Notes Payable

			Aug.	12	2,700

Owner's Capital

			Aug.	1	5,000

Service Revenue

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

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EXERCISE 2-11 (Continued)

(b)

JUNE FELDMAN, INVESTMENT BROKER
Trial Balance
August 31, 2020

	Debit	Credit
Cash	$ 6,200	
Accounts Receivable	800	
Equipment	5,000	
Notes Payable		$ 2,700
Owner's Capital		5,000
Service Revenue		4,300
	$12,000	$12,000

[($6,200 + $800 + $5,000) = ($2,700 + $5,000 + $4,300)]
[(Cash + Accts. rec. + Equip.) = (Notes pay. + Owner's cap. + Serv. rev.)]
LO3, 4 BT: AP Difficulty: Easy Tot: 12 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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EXERCISE 2-12

(a)

General Journal

Date	Account Titles and Explanation	Ref.	Debit	Credit
Apr. 1	Cash		14,000	
	Owner's Capital			14,000
	(Owner's investment of cash in business)			
4	Supplies		1,800	
	Accounts Payable			1,800
	(Purchased supplies on Account)			
7	Accounts Receivable		3,000	
	Service Revenue			3,000
	(Billed customers for services provided)			
12	Cash		900	
	Service Revenue			900
	(Received cash for services performed)			
15	Salaries and Wages Expense		1,300	
	Cash			1,300
	(Paid salaries to date)			
25	Accounts Payable		1,500	
	Cash			1,500
	(Paid creditors on account)			
29	Cash		400	
	Accounts Receivable			400
	(Received cash in payment of account)			
30	Cash		1,000	
	Unearned Service Revenue			1,000
	(Received cash for future services)			

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EXERCISE 2-12 (Continued)

(b)

NEGRETE LANDSCAPING COMPANY
Trial Balance
April 30, 2020

	Debit	Credit
Cash	$13,500	
Accounts Receivable	2,600	
Supplies	1,800	
Accounts Payable		$ 300
Unearned Service Revenue		1,000
Owner's Capital		14,000
Service Revenue		3,900
Salaries and Wages Expense	1,300	
	$19,200	$19,200

[($13,500 + $2,600 + $1,800 + $1,300) = ($300 + $1,000 + $14,000 + $3,900)]
[(Cash + Accts. rec. + Supp. + Sal. & wages exp.) = (Accts. pay. + Unearn. serv. rev. + Owner's cap. + Serv. rev.)]
LO2, 4 BT: AP Difficulty: Moderate Tot: 12 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-13

(a)	Oct. 1	Cash	3,000	
		Owner's Capital		3,000
		(Owner's investment of cash in business)		
	10	Cash	750	
		Service Revenue		750
		(Received cash for services performed)		
	10	Cash	4,000	
		Notes Payable		4,000
		(Obtained loan from bank)		
	20	Cash	500	
		Accounts Receivable		500
		(Received cash in payment of account)		

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EXERCISE 2-13 (Continued)

20	Accounts Receivable		940	
	Service Revenue			940
	(Billed clients for services performed)			

(b)

SHUMWAY CO.
Trial Balance
October 31, 2020

	Debit	Credit
Cash	$ 7,200	
Accounts Receivable	1,240	
Supplies	400	
Equipment	2,000	
Notes Payable		$ 4,000
Accounts Payable		500
Owner's Capital		5,000
Owner's Drawings	300	
Service Revenue		2,490
Salaries and Wages Expense	500	
Rent Expense	350	
	$11,990	$11,990

[($7,200 + $1,240 + $400 + $2,000 + $300 + $500 + $350) = ($4,000 + $500 + $5,000 + $2,490)]
[(Cash + Accts. rec. + Supp. + Equip. + Owner's draws. + Sal. & wages exp. + Rent exp.) = (Notes pay. + Accts. pay. + Owner's cap. + Serv. rev.)]
LO2, 4 BT: AP Difficulty: Moderate Tot: 15 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-14

(a)

General Journal **J1**

Date	Account Titles and Explanation	Ref.	Debit	Credit
Sept. 1	Cash	101	10,000	
	Owner's Capital	301		10,000
5	Equipment	157	14,000	
	Cash	101		4,000
	Accounts Payable	201		10,000
25	Accounts Payable	201	3,000	
	Cash	101		3,000
30	Owner's Drawings	306	900	
	Cash	101		900

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EXERCISE 2-14 (Continued)

(b)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 1		J1	10,000		10,000
5		J1		4,000	6,000
25		J1		3,000	3,000
30		J1		900	2,100

Equipment **No. 157**

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

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 5		J1		10,000	10,000
25		J1	3,000		7,000

Owner's Capital **No. 301**

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

Owner's Drawings **No. 306**

Date	Explanation	Ref.	Debit	Credit	Balance
Sept. 30		J1	900		900

LO2, 3 BT: AP Difficulty: Moderate Tot: 15 min. AACSB: Analytic AICPA FC: Measurement

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EXERCISE 2-15

Error	(a) In Balance	(b) Difference	(c) Larger Column
1.	No	$525	Debit
2.	Yes	—	—
3.	Yes	—	—
4.	No	415	Credit
5.	Yes	—	—
6.	No	27*	Debit

*$652 - $625
LO4 BT: AN Difficulty: Moderate Tot: 6 min. AACSB: Analytic AICPA FC: Measurement, Reporting

EXERCISE 2-16

PROMPT DELIVERY SERVICE
Trial Balance
July 31, 2020

	Debit	Credit
Cash ($74,819 – Debit total without Cash $62,338)	$12,481	
Accounts Receivable	7,640	
Prepaid Insurance	1,968	
Equipment	45,360	
Notes Payable		$17,000
Accounts Payable		8,394
Salaries and Wages Payable		815
Owner's Capital		38,000
Owner's Drawings	700	
Service Revenue		10,610
Salaries and Wages Expense	4,428	
Maintenance and Repairs Expense	961	
Gasoline Expense	758	
Utilities Expense	523	
	$74,819	$74,819

[($12,481 + $7,640 + $1,968 + $45,360 + $700 + $4,428 + $961 + $758 + $523) = ($17,000 + $8,394 + $815 + $38,000 + $10,610)]
[(Cash + Accts. rec. + Prepd. ins. + Equip. + Owner's draws. + Sal. & wages exp. + Maint. & repairs exp. + Gas. exp. + Util. exp.) = (Notes pay. + Accts. pay. + Sal. & wages pay. + Owner's cap. + Serv. rev.)]
LO 4 BT: AP Difficulty: Easy Tot: 10 min. AACSB: Analytic AICPA FC: Reporting

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EXERCISE 2-17
(a)

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

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EXERCISE 2-17 (Continued)

(b)

Cash

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

Accounts Receivable

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

Supplies

10/16	410		
Bal.	410		

Equipment

10/7	18,000		
Bal.	18,000		

Accounts Payable

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

Owner's Capital

		10/1	66,000
		Bal.	66,000

Service Revenue

		10/12	3,200
		Bal.	3,200

Advertising Expense

10/8	500		
Bal.	500		

Salaries and Wages Expense

10/31	5,100		
Bal.	5,100		

Maintenance & Repairs Expense

10/10	390		
Bal.	390		

Rent Expense

10/4	2,000		
Bal.	2,000		

Utilities Expense

10/24	148		
Bal.	148		

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EXERCISE 2-17 (Continued)

(c)

BEYERS SECURITY COMPANY
Trial Balance
October 31, 2020

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

(Tot. credits = Accts. pay. + Owner's cap. + Serv. rev.)
LO 2, 3, 4 BT: AP Difficulty: Moderate TOT: 30 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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SOLUTIONS TO PROBLEMS

PROBLEM 2-1A

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 1	Cash		20,000	
	Owner's Capital			20,000
	(Owner's investment of cash in business)			
3	Land		12,000	
	Buildings		2,000	
	Equipment		1,000	
	Cash			15,000
	(Purchased Rainbow's Golf Land)			
5	Advertising Expense		900	
	Cash			900
	(Paid for advertising)			
6	Prepaid Insurance		600	
	Cash			600
	(Paid for one-year insurance policy)			
10	Equipment		1,050	
	Accounts Payable			1,050
	(Purchased equipment on account)			
18	Cash		1,100	
	Service Revenue			1,100
	(Received cash for services performed)			
19	Cash (150 x $10)		1,500	
	Unearned Service Revenue			1,500
	(Received cash for coupon books sold)			

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PROBLEM 2-1A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 25	Owner's Drawings		800	
	Cash			800
	(Withdrew cash for personal use)			
30	Salaries and Wages Expense		250	
	Cash			250
	(Paid salaries)			
30	Accounts Payable		1,050	
	Cash			1,050
	(Paid creditor on account)			
31	Cash		2,700	
	Service Revenue			2,700
	(Received cash for services performed)			

LO1, 2 BT: AP Difficulty: Easy TOT: 20 AACSB: Analytic AICPA FC: Measurement

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PROBLEM 2-2A

(a)

J1

Date		Account Titles and Explanation	Ref.	Debit	Credit
Apr.	1	Cash	101	20,000	
		Owner's Capital	301		20,000
		(Owner's investment of cash in business)			
	1	No entry—not a transaction.			
	2	Rent Expense	729	1,500	
		Cash	101		1,500
		(Paid monthly office rent)			
	3	Supplies	126	4,000	
		Accounts Payable	201		4,000
		(Purchased supplies on account from Dazzle Company)			
	10	Accounts Receivable	112	5,100	
		Service Revenue	400		5,100
		(Billed clients for services performed)			
	11	Cash	101	1,000	
		Unearned Service Revenue	209		1,000
		(Received cash for future service)			
	20	Cash	101	2,100	
		Service Revenue	400		2,100
		(Received cash for services performed)			
	30	Salaries and Wages Expense	726	2,800	
		Cash	101		2,800
		(Paid monthly salary)			

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PROBLEM 2-2A (Continued)

Date	Account Titles and Explanation	Ref.	Debits	Credit
Apr. 30	Accounts Payable	201	2,600	
	Cash	101		2,600
	(Paid Dazzle Company on account)			

(b)

Cash No. 101

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 1		J1	20,000		20,000
2		J1		1,500	18,500
11		J1	1,000		19,500
20		J1	2,100		21,600
30		J1		2,800	18,800
30		J1		2,600	16,200

Accounts Receivable No. 112

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1	5,100		5,100

Supplies No. 126

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1	4,000		4,000

Accounts Payable No. 201

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 3		J1		4,000	4,000
30		J1	2,600		1,400

Unearned Service Revenue No. 209

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 11		J1		1,000	1,000

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PROBLEM 2-2A (Continued)

Owner's Capital — **No. 301**

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

Service Revenue — **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 10		J1		5,100	5,100
20		J1		2,100	7,200

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

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 30		J1	2,800		2,800

Rent Expense — **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Apr. 2		J1	1,500		1,500

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PROBLEM 2-2A (Continued)

(c)

VERA ERNST, DENTIST
Trial Balance
April 30, 2020

	Debit	Credit
Cash	$16,200	
Accounts Receivable	5,100	
Supplies	4,000	
Accounts Payable		$ 1,400
Unearned Service Revenue		1,000
Owner's Capital		20,000
Service Revenue		7,200
Salaries and Wages Expense	2,800	
Rent Expense	1,500	
	$29,600	$29,600

[($16,200 + $5,100 + $4,000 + $2,800 + $1,500) = ($1,400 + $1,000 + $20,000 + $7,200)]
[(Cash + Accts. rec. + Supp. + Sal. & wages exp. + Rent exp.) = (Accts. pay. + Unearn. serv. rev. + Owner's cap. + Serv. rev.)]
LO1, 2, 3, 4 BT: AP Difficulty: Easy TOT: 40 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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PROBLEM 2-3A

(a)

Trans.	Account Titles and Explanation	Debit	Credit
1.	Cash	40,000	
	Owner's Capital		40,000
2.	No entry—Not a transaction.		
3.	Prepaid Rent	24,000	
	Cash		24,000
4.	Equipment	30,000	
	Cash		10,000
	Accounts Payable		20,000
5.	Prepaid Insurance	1,800	
	Cash		1,800
6.	Supplies	420	
	Cash		420
7.	Supplies	1,500	
	Accounts Payable		1,500
8.	Cash	8,000	
	Accounts Receivable	12,000	
	Service Revenue		20,000
9.	Accounts Payable	400	
	Cash		400
10.	Cash	3,000	
	Accounts Receivable		3,000
11.	Utilities Expense	380	
	Accounts Payable		380

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PROBLEM 2-3A (Continued)

Trans.	Account Titles and Explanation	Debit	Credit
12.	Salaries and Wages Expense.....	6,100	
	Cash		6,100

(b)

Cash

(1)	40,000		
		(3)	24,000
		(4)	10,000
		(5)	1,800
		(6)	420
(8)	8,000		
		(9)	400
(10)	3,000		
		(12)	6,100
	8,280		

Accounts Receivable

(8)	12,000		
		(10)	3,000
	9,000		

Supplies

(6)	420		
(7)	1,500		
	1,920		

Prepaid Insurance

(5)	1,800		
	1,800		

Prepaid Rent

(3)	24,000		
	24,000		

Equipment

(4)	30,000		
	30,000		

Accounts Payable

		(4)	20,000
		(7)	1,500
(9)	400		
		(11)	380
			21,480

Owner's Capital

		(1)	40,000
			40,000

Service Revenue

		(8)	20,000
			20,000

Salaries and Wages Expense

(12)	6,100		
	6,100		

Utilities Expense

(11)	380		
	380		

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PROBLEM 2-3A (Continued)

(c)

MAQUOKETA SERVICES
Trial Balance
May 31, 2020

	Debit	Credit
Cash	$ 8,280	
Accounts Receivable	9,000	
Supplies	1,920	
Prepaid Insurance	1,800	
Prepaid Rent	24,000	
Equipment	30,000	
Accounts Payable		$21,480
Owner's Capital		40,000
Service Revenue		20,000
Salaries and Wages Expense	6,100	
Utilities Expense	380	
	$81,480	$81,480

[($8,280 + $9,000 + $1,920 + $1,800 + $24,000 + $30,000 + $6,100 + $380) = ($21,480 + $40,000 + $20,000)]
[(Cash + Accts. rec. + Supp. + Prepd. ins. + Prepd. rent + Equip. + Sal. & wages exp. + Util. exp.) = (Accts. pay. + Owner's cap. + Serv. rev.)]
LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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PROBLEM 2-4A

SERGEI ASBRECHT CO.
Trial Balance
June 30, 2020

	Debit	Credit
Cash ($3,140 – $270)	$ 2,870	
Accounts Receivable ($2,812 + ($850 - $580))	3,082	
Supplies ($1,200 – $710)	490	
Equipment ($2,600 + $710)	3,310	
Accounts Payable ($3,666 – $306 – $360)		$ 3,000
Unearned Service Revenue		1,100
Owner's Capital		8,000
Owner's Drawings ($800 + $600)	1,400	
Service Revenue ($2,480 + ($980 - $98))		3,362
Salaries and Wages Expense ($3,200 + $900 – $600)	3,500	
Utilities Expense	810	
	$15,462	$15,462

[(($3,140 - $270) + ($2,812 + $270) + ($1,200 - $710) + ($2,600 + $710) + ($800 + $600) + ($3,200 + $900 - $600) + $810) = (($3,666 - $306 - $360) + $1,100 + $8,000 + ($2,480 + $882))]
[(Cash + Accts. rec. + Supp. + Equip. + Owner's draws. + Sal. & wages exp. + Util. exp.) = (Accts. pay. + Unearned serv. rev. + Owner's cap. + Serv. rev.)]
LO4 BT: AN Difficulty: Moderate TOT: 40 min. AACSB: Analytic AICPA FC: Reporting

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PROBLEM 2-5A

(a) & (c)

Cash **No. 101**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			3,000
2		J1		1,500	1,500
9		J1	4,300		5,800
10		J1		4,100	1,700
12		J1		900	800
20		J1	5,000		5,800
20		J1		2,000	3,800
31		J1		3,100	700
31		J1	450		1,150
31		J1	9,000		10,150

Accounts Receivable **No. 112**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	450		450

Land **No. 140**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			24,000

Buildings **No. 145**

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

Equipment **No. 157**

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

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PROBLEM 2-5A (Continued)

Accounts Payable **No. 201**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			7,000
2		J1		2,000	9,000
10		J1	4,100		4,900

Owner's Capital **No. 301**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 1	Balance	✓			40,000

Service Revenue **No. 400**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 9		J1		4,300	4,300
20		J1		5,000	9,300
31		J1		9,000	18,300

Rent Revenue **No. 429**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.31		J1		900	900

Advertising Expense **No. 610**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar.12		J1	900		900

Salaries and Wages Expense **No. 726**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 31		J1	3,100		3,100

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PROBLEM 2-5A (Continued)

Rent Expense **No. 729**

Date	Explanation	Ref.	Debit	Credit	Balance
Mar. 2		J1	3,500		3,500
20		J1	2,000		5,500

(b)

J1

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 2	Rent Expense	729	3,500	
	Accounts Payable	201		2,000
	Cash	101		1,500
	(Rented films for cash and on account)			
3	No entry.			
9	Cash	101	4,300	
	Service Revenue	400		4,300
	(Received cash for services performed)			
10	Accounts Payable ($2,000 + $2,100)	201	4,100	
	Cash	101		4,100
	(Paid creditors on account)			
11	No entry.			
12	Advertising Expense	610	900	
	Cash	101		900
	(Paid advertising expense)			
20	Cash	101	5,000	
	Service Revenue	400		5,000
	(Received cash for services performed)			
20	Rent Expense	729	2,000	
	Cash	101		2,000
	(Paid film rental)			

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PROBLEM 2-5A (Continued)

Date	Account Titles and Explanation	Ref.	Debit	Credit
Mar. 31	Salaries and Wages Expense	726	3,100	
	Cash	101		3,100
	(Paid salaries expense)			
31	Cash.....	101	450	
	Accounts Receivable.....	112	450	
	Rent Revenue	429		900
	(15% x $6,000)			
	(Received cash and balance on account for rent revenue)			
31	Cash.....	101	9,000	
	Service Revenue.....	400		9,000
	(Received cash for services performed)			

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PROBLEM 2-5A (Continued)

(d)

STARR THEATER
Trial Balance
March 31, 2020

	Debit	Credit
Cash	$10,150	
Accounts Receivable	450	
Land	24,000	
Buildings	10,000	
Equipment	10,000	
Accounts Payable		$ 4,900
Owner's Capital		40,000
Service Revenue		18,300
Rent Revenue		900
Advertising Expense	900	
Salaries and Wages Expense	3,100	
Rent Expense	5,500	
	$64,100	$64,100

[($10,150 + $450 + $24,000 + $10,000 + $10,000 + $900 + $3,100 + $5,500) = ($4,900 + $40,000 + $18,300 + $900)]
[(Cash + Accts. rec. + Land + Bldgs. + Equip. + Advert. exp. + Sal. & wages exp. + Rent exp.) = (Accts. pay. + Owner's cap. + Serv. rev. + Rent rev.)]
LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 45 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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CC2 COOKIE CREATIONS

(a) **GENERAL JOURNAL** **J1**

		Account Titles and Explanation	Debit	Credit
Nov.	8	No entry required for cashing U.S. Savings Bonds—this is a personal transaction.		
	8	Cash	500	
		Owner's Capital		500
	11	Advertising Expense	65	
		Cash		65
	13	Supplies	125	
		Cash		125
	14	Equipment	300	
		Owner's Capital		300
	16	Cash	2,000	
		Notes Payable		2,000
	17	Equipment	900	
		Cash		900
	20	Cash	125	
		Service Revenue		125
	25	Cash	30	
		Unearned Service Revenue		30
	30	Prepaid Insurance	1,320	
		Cash		1,320

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CC2 (Continued)

(b)

Cash

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1	500		500
11		J1		65	435
13		J1		125	310
16		J1	2,000		2,310
17		J1		900	1,410
20		J1	125		1,535
25		J1	30		1,565
30		J1		1,320	245

Supplies

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 13		J1	125		125

Prepaid Insurance

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 30		J1	1,320		1,320

Equipment

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 14		J1	300		300
17		J1	900		1,200

Unearned Service Revenue

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 25		J1		30	30

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CC2 (Continued)

(b) (Continued)

Notes Payable

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 16		J1		2,000	2,000

Owner's Capital

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 8		J1		500	500
14		J1		300	800

Service Revenue

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 20		J1		125	125

Advertising Expense

Date	Explanation	Ref.	Debits	Credits	Balance
Nov. 11		J1	65		65

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CC2 (Continued)

(c)

COOKIE CREATIONS
Trial Balance
November 30, 2019

	Debit	Credit
Cash	$ 245	
Supplies	125	
Prepaid Insurance	1,320	
Equipment	1,200	
Unearned Service Revenue		$ 30
Notes Payable		2,000
Owner's Capital		800
Service Revenue		125
Advertising Expense	65	
	$2,955	$2,955

Note to instructors: Because the notes payable is not due for 24 months, it follows Unearned Service Revenue in the accounts and the trial balance.

[($245 + $125 + $1,320 + $1,200 + $65) = ($30 + $2,000 + $800 + $125)]
[(Cash + Supp. + Prepd. ins. + Equip. + Advert. exp.) = (Unearn. serv. rev. + Notes pay. + Owner's cap. + Serv. rev.)]
LO1, 2, 3, 4 BT: AP Difficulty: Moderate TOT: 60 min. AACSB: Analytic AICPA FC: Measurement, Reporting

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EC2-1 ETHICS CASE

(a) The stakeholders in this situation are:

- **Ellynn Kole, assistant chief accountant.**
- **Users of the company's financial statements.**
- **The Doman Company.**

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

(c) Ellynn's alternatives are:

1. **Miss the deadline but find the error causing the imbalance.**
2. **Tell her supervisor of the imbalance and suffer the consequences.**
3. **Do as she did and locate the error later, making the adjustment in the next quarter.**

LO N/A BT: E Difficulty: Moderate TOT: 15 min. AACSB: Ethics AICPA FC: Reporting AICPA PC: Communication, Professional Demeanor

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EC2-2 ETHICS CASE

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

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

LO N/A BT: E Difficulty: Moderate TOT: 20 min. AACSB: Ethics AICPA FC: Reporting AICPA PC: Communication, Professional Demeanor

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CT 2-1 FINANCIAL REPORTING PROBLEM

(a)

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

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

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

LO1, 2 BT: C Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

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CT 2-2 COMPARATIVE ANALYSIS PROBLEM

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

(b)

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

LO1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

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CT 2-3 COMPARATIVE ANALYSIS PROBLEM

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

(b) The following other accounts are ordinarily involved:

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

LO1, 2 BT: AN Difficulty: Easy TOT: 8 min. AACSB: None AICPA FC: Measurement

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CT 2-4 REAL-WORLD FOCUS

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

LO N/A BT: AP Difficulty: Easy TOT: 20 min. AACSB: Technology AICPA FC: Reporting, Technology

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CT 2-5 REAL-WORLD FOCUS

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

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

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

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

LO3, 4 BT: S Difficulty: Moderate TOT: 25 min. AACSB: Technology, Communication AICPA FC: Reporting AICPA PC: Communication

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CT 2-6 COMMUNICATION ACTIVITY

Date: March 15, 2020

To: Accounting Instructor

From: Student

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

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

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

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

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

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

LO3, 4 BT: S Difficulty: Moderate TOT: 15 min. AACSB: Technology, Communication AICPA FC: Reporting AICPA PC: Communication

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CT 2-7 ALL ABOUT YOU

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

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

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

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

LO N/A BT: S Difficulty: Moderate TOT: 20 min. AACSB: Technology, Communication AICPA FC: Reporting AICPA PC: Communication

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CT 2-8 CONSIDERING PEOPLE, PLANET AND PROFIT

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

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

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

LO N/A BT: E Difficulty: Moderate TOT: 30 min. AACSB: Technology, Communication AICPA FC: Reporting, Technology AICPA PC: Communication

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IFRS 2-1 INTERNATIONAL FINANCIAL REPORTING PROBLEM

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

LO 5 BT: C Difficulty: Easy TOT: 10 min. AACSB: Diversity AICPA FC: Reporting AICPA BB: International Perspective

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